



## How Piech and López put a bomb under Volkswagen

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Will flexibility create more jobs?  
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# FINANCIAL TIMES

Europe's Business Newspaper

MONDAY AUGUST 13, 1993

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## UK to reappraise Bosnia evacuation as 39 fly to safety

Thirty-nine injured adults and children were flown from the Bosnian capital Sarajevo for treatment in Britain and Sweden. A further five are expected to be flown out by the Irish government. Britain said it would be "reassessing" the situation as head of the UN medical evacuation committee Dr Patrick Peillon criticised the airlifts claiming that the operation had become a publicity exercise by western governments.

There was no fighting in Sarajevo following the Serb withdrawal from surrounding mountains, but fighting continued between Muslim and Croatian forces in central Bosnia. Page 12

**KLM aircraft hijacked:** The hijacker of a KLM aircraft on a flight from Tunis to Amsterdam forced it to land at Düsseldorf and demanded the freedom of blind cleric Sheikh Omar Abdel Rahman, held in the US in connection with the bombing of New York's World Trade Centre. He also demanded the enforcement of United Nations sanctions against Serbia. He released all 131 passengers and four of the seven crew.

**Call for world employment charter:** UK employment secretary David Hunt has called for a world social charter of minimum employment rights to supersede the European Community's own social charter. Page 12

**Nadir was offered RHM stake:** It emerged that fugitive businessman Asil Nadir was offered a substantial stake in milling and baking group Rank Hovis McDougall. Page 13

**Rush for roubles:** Former Soviet republics have been scrambling to obtain more roubles, suggesting that the Russian central bank's crude monetary reform may not have achieved its goal of a monetary divorce. Page 2

**Palestinian deportees to return:** Almost 400 deported Palestinians, who have spent eight months in no-man's-land between Israel and south Lebanon, accepted an Israeli offer of a phased return. Page 4

**Banking Paribas of France plans to become the first European bank to establish a separately capitalised derivatives unit.** It has been granted triple-A status in the highly credit-sensitive market. Page 13

**European Monetary System:** There are 8.43 percentage points separating the strongest currency in the exchange rate mechanism, the Dutch guilder, from the weakest, the Danish krone after two weeks of the reformed system's operation. That is more than half of the permitted divergence of 15 per cent. The D-Mark was nearing the level where central bank intervention would be necessary to reduce its value. Currencies, Page 23; Lex, Page 12

**EMS: Grid** August 13, 1993



The chart shows the member currencies of the exchange rate mechanism measured against the weakest currency in the system. After the reformation of the exchange rate mechanism on August 2, 1993, one member currency can rise against another by as much as 15 percentage points in the system's grid. The sole exception is the divergence between the D-Mark and the Dutch guilder, which remains tied to each other in a 2.25 per cent band.

**Babangida set to announce government:** President Ibrahim Babangida is expected to announce tonight that the proposed interim government of Nigeria will contain about six military commanders but will be led by a civilian. Page 4

**Canadian election expected:** Canadian prime minister Kim Campbell is likely to call a general election within weeks after her government persuaded the US to give Canada special treatment under the North American free trade agreement. Page 3

**Venezuela approves oil projects:** Venezuela has approved two oil projects worth \$4.8bn in which international investors will play important roles. Page 3

**Electricity to be cheaper:** Britain's largest companies should see big reductions in electricity costs after a decision by the power industry to change the way prices are calculated. Page 5

**Laurentian Group, Canadian financial services company being merged with Mouvement Desjardins,** reported first-half net profit of \$315.8m (\$581.2m), up from \$14.3m a year earlier. Page 16

**British Gas is expected to be spared from break-up in the recommendations of the Monopolies and Mergers Commission report due tomorrow.** Page 5; Lex, Page 12

**Storm hits Martinique:** A three-year-old girl was missing, believed drowned, and about 10 people were injured as tropical storm Cindy swept the French Caribbean island of Martinique, leaving 3,000 homeless.

**Christie is world champion:** Britain's Linford Christie ran the 100 metres in Stuttgart in 9.87 seconds to become world champion.

## Justice Department to consider reviving federal case against Altman

# US lawyer acquitted on BCCI fraud charges

By Patrick Harverson and Alan Friedman in New York

US JUSTICE Department investigators will meet this week to consider reviving charges of bank fraud over the BCCI affair after the collapse of the case against Washington lawyer Mr Robert Altman.

He was acquitted on Saturday in a New York state court of charges that he helped the now-collapsed Bank of Credit and Commerce International to illegally gain secret control of a US bank.

The federal charges against Mr Altman, and his colleague Mr Clark Clifford, the 86-year-old former US defence secretary who did not stand trial in New York because of ill health, were dismissed earlier this year at the request of the Justice Department, which did not want its case to interfere with the state prosecution.

Legal experts, however, believe that the failure of New York prosecutors to convict Mr Altman on eight fraud and bribery charges would make it difficult for the federal government to revive its own charges, which were similar to those brought in the New York case.

The acquittal on Saturday was a serious blow to Mr Robert Morgenthau, the New York district attorney who has spent three years investigating the complex web of BCCI's activities in the US and abroad. He has won three

Page 3

□ Acquittal clouds future of BCCI case

convictions related to the banking scandal with hundreds of millions of dollars of fines levied. But the Altman case was the centrepiece of his investigations.

In the US the leadership on investigating BCCI came from Mr Morgenthau, partly because the Bush administration's Justice Department had been noticeably lethargic in pursuing the case.

On Saturday, Mr Morgenthau said that in spite of the verdict his office's investigation of BCCI would continue.

The case had begun to go Mr Altman's way last month, when the trial judge dismissed four of the eight criminal charges against him because of a lack of evidence. After the jury delivered its verdict Mr Altman said the



Robert Altman celebrates with his wife, actress Linda Carter (right), and friends after his acquittal on charges that he helped the now collapsed BCCI to illegally gain secret control of a US bank

case should never have been tried. "The government put on a five-month trial, and we put on a five-minute defence. There was absolutely no merit to this."

Mr Altman, who still faces civil actions relating to the BCCI scandal, insisted that neither he nor Mr Clifford knew that BCCI had secretly gained control of the Washington-based banking group First American. Mr Altman and Mr Clifford were both senior officers of First American.

Jury members said after the trial ended that the prosecution had

not presented enough evidence to convince them of Mr Altman's guilt. They also said that the defence had undermined the credibility of prosecution witnesses.

Defence lawyers argued in their closing statements that Mr Altman was being used as a scapegoat by banking regulators to cover up their own failure to uncover BCCI's illegal ownership of First American.

At the time that Federal charges were dismissed, government officials reserved the right

to file the same, or even tougher, charges against the two lawyers if the state trial did not lead to a "successful conclusion".

Yesterday, a Justice Department spokeswoman said Ms Janet Reno, the attorney general, will make the final decision on the matter.

A number of key BCCI figures who have been indicted in the US, including Mr Sweleh Nagvi, the former BCCI chief executive, are in Abu Dhabi or elsewhere, beyond the reach of US prosecutors.

## VW withdraws from war of words with GM

By Christopher Parkes in Frankfurt

VOLKSWAGEN has withdrawn from the war of words over industrial espionage with car market rival Adam Opel, owned by General Motors, amid fresh media charges contradicting VW's claims that no Opel data ever came into its possession.

The troubled German group, which last Friday commissioned auditors KPMG Deutsche Treuhand to carry out an independent internal investigation, said it wanted to return to its main job: making and selling cars.

"We have done everything possible. We have carried out our own investigation and now set up

an independent examination," said Mr Otto Ferdinand Wachs, VW's executive director of public relations. "We are no longer prepared to discuss the matter and every new charge in public."

VW's decision to remain silent coincided with detailed claims in Der Spiegel, the weekly magazine, that 11 Volkswagen trainees had worked for several days at the end of March typing Opel data into computers in a VW property once used to house "guest workers" from Italy.

The magazine also printed alleged excerpts from an affidavit by Mr José Ignacio López de Arriortúa, VW production director, and focus of theft, espionage and fraud investigations.

"Neither before my leaving, in connection with my leaving GM, nor afterwards did I give secret GM/Opel information or data to Volkswagen," the extracts said. "In particular I neither inserted nor asked for any secret data to be inserted in VW computers..."

The reported contents of the affidavit suggested a further shift from his earlier position that he and his colleagues - three of whom are also under investigation - took no secrets from GM and Opel, the US group's German subsidiary, when they left in March.

All VW's recent public relations efforts have been focused on dispelling the suspicion that it has been involved in spying.

On August 6, the VW supervisory board said an internal investigation had found nothing to warrant charges of industrial espionage. That statement was accompanied by an admission that "possibly" secret documents had been destroyed in Wolfsburg at Mr López's suggestion along with personal effects from his former Opel office, and a declaration of "unaltered trust" in him.

Mr Wachs could not comment on reports that Mr Klaus Liesen, chairman of the company's supervisory board, was to work full-time with the executive management to help it through the current crisis.

Workers put trust in López, Page 2  
Warriors in war of words, Page 26

## European monetary union could hit jobs says EC study

By David Goodhart, Labour Editor, in London

EUROPEAN monetary union could cause a substantial rise in unemployment according to an internal European Commission study which was considered too critical to be published.

The report said that larger scale regional aid would be needed within the EC to tackle unemployment in uncompetitive areas after the introduction of Emu.

The study, on the employment effects of monetary union, was produced last year for the then social affairs commissioner, Ms Vasso Papandreu.

Although the Commission, and DG 5, the social affairs directorate, are still committed to the Emu timetable, a significant number of officials in DG 5 have privately welcomed the likely delay of Emu and even the recent loosening of the exchange rate mechanism.

"Quite a few of us here are highly relieved that Emu looks as if it has been held up, given the

sort of impact it could have on employment," said one.

Some of Europe's main trade union centres, which have considerable influence in DG 5, are also starting to review their support for Emu. The European Trades Union Congress still backs Emu, but Britain's TUC, for example, openly expresses doubts about when it can be implemented and which countries should qualify.

The Commission study says that Emu will require greater regional transfers than those planned under the EC Cohesion Fund. Without such transfers a high degree of national fiscal flexibility will be needed if growth and employment are not to be adversely affected.

It warns: "The removal of the possibility of exchange rate adjustment when full monetary union is established will eliminate a major means of correcting supply imbalances across the Community and of restoring the competitiveness of particular countries or regions which suffer losses in trade shares."

"But the Maastricht treaty seems to rule out fiscal flexibility and to insist instead on compliance with the arbitrary ceilings imposed on budget deficits and government debt."

The study also says movements of labour between countries will not compensate for differences in employment opportunities and that disparities must be resolved by larger regional transfers.

Doubts about the employment impact of Emu are commonplace outside the Commission but still highly controversial even inside DG 5 which thinks of itself as Europe's labour ministry.

DG 5 has been dominated by French officials who have not wavered in their support for Mr Jacques Delors, European Commission president, on monetary union or the social chapter. But the combination of a new social affairs commissioner, Mr Padraig Flynn of Ireland, a centre-right government in France, and the current emphasis on competitiveness, has led DG 5 to take more interest in labour market flexibility.

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## NEWS: INTERNATIONAL

Size and viability of future state depends on will of the international community

## Bosnian foes square up over maps

By Laura Silber in Geneva

ANY WESTERN hopes that international mediators Lord Owen and Mr Thorvald Stoltenberg can broker a quick settlement to the bloodshed in the former Yugoslav republic of Bosnia-Herzegovina are unlikely to be fulfilled.

When Bosnia's President Alija Izetbegovic returns to the peace talks today, he will face Serb and Croat adversaries who are only willing to negotiate on the basis of military gains during the 17-month war. However, Mr Izetbegovic, a Muslim, reiterated at the weekend that he would only endorse a settlement which gave his Bosnian republic about 40 per cent of the territory of the proposed "union" of three ethnic republics. The new Bosnia, he said, would have to encompass land currently held by Serb forces, which until the outbreak of war was mostly Muslim.

Amid seemingly irreconcilable differences, the parties will today sit down to discuss the maps. Talks on future borders were stalled for two weeks while Serb political and mili-

tary leaders played cat and mouse with the international community over their pledge to hand over the strategic Mount Igman, captured during the talks. Serbs scoffed at Mr Izetbegovic's boycott of the peace process and ignored threats of military intervention.

At the weekend Serb forces finally withdrew from Mount Igman, which overlooks Sarajevo, but Mr Radovan Karadzic, Bosnian Serb leader, believes his military superiority will dictate the terms of a peace agreement.

Mr Izetbegovic envisages that most of eastern Bosnia, which shares a frontier with Serbia and was Muslim before the war, will be part of the future Bosnian republic.

Mr Karadzic says "this is out of the question". He claims almost all of eastern Bosnia, under Serb control except for three remaining Muslim pockets, proclaimed UN "safe areas". Serbs need the frontier territory in order to form a Greater Serbia.

Mr Izetbegovic insists that his Bosnian republic must have access to the northern



Amra Ramic and her mother Samira in Sarajevo yesterday before their evacuation. Amra has a spinal tumour

River Sava and to ports on the Adriatic Sea. Lord Owen has backed this demand.

However, Mr John Zambetica, Bosnian Serb spokesman, says it would be "impossible for Muslim territory to have a physical outlet on the Sava and Adriatic".

Serb leaders also insist on Sarajevo's partition. Lord Owen seems to back the idea that the self-styled Serb state

has a legitimate right to parts of the city.

Mr Izetbegovic believes this would amount to the death of Bosnia. He will insist that Serb forces lift their 17-month siege around the capital when the talks get under way.

"Without fair maps, there is no deal," Mr Izetbegovic says, stressing he had accepted ethnic partition when faced with the alternative of more war.

But he lacks power to break the Serb stranglehold. The size and viability of his future state depends on the will of the international community to provide the muscle to back a settlement.

Pledges from foreign powers face a crucial test. Mr Karadzic has repeatedly threatened that if Mr Izetbegovic rejects his offer of a land-locked republic comprising isolated pockets of territory, "the Muslims will be left with nothing at all".

Bosnian Serb leaders privately boast they will make life so unpleasant in any union that the Muslims would soon seek its dissolution. The mediators must realise the survival of the Bosnian republic cannot depend solely on the goodwill of hostile Serb and Croat neighbours, but will need international enforcement.

## VW workers put their trust in López

By Judy Dempsey in Wolfsburg

EVERYTHING is concrete in Wolfsburg: the town hall, the post office, the shops, the tidy apartment blocks.

The uniformity confirms that the visitor is in a company town. For Wolfsburg has been dominated by Volkswagen, Germany's second largest industrial group, since the foundation stone was laid in May 1939 for its car factory.

"Wolfsburg is Volkswagen," said Ms Christine Noack, a town hall official. "Every family has some member working at the plant. Our past and future is linked to Volkswagen."

The local swimming pool is named after Mr Ferdinand Porsche, who engineered the original "people's car", the beetle. Volkswagen has built the athletics track and has helped build and finance the town's housing for 120,000 inhabitants.

But for the first time since the second world war, the locals talk about unemployment. "We keep hearing about how uncompetitive we are, that we have to cut costs," said one worker.

The problem is that the executive brought in to cut these costs, Mr José Ignacio López de Arriortúa, is under investigation for allegedly acquiring confidential documents from General Motors, his previous employer.

Mr Ralph Sieber is an outgoing, single, 28-year-old, who has spent 12 years working for VW. But he is worried about the future. "I hear that López can make VW great again," he said. Mr Sieber admitted he had no idea whether the allegations against Mr López were true. "I don't know what to believe. This public dispute is not good for our image."

A similar concern about VW's tarnished image, and a faith in Mr López's talents, is shared by workers coming off

the morning shift. "I'm confused about the whole scandal. I want López to put things right. It's the first time I have questioned my security. We have to offer our children some hope," said Mr Harold Pfaffler, a 51-year-old technician.

However, VW's public relations personnel are keen to project the culture of abiding corporate loyalty. "The board has thrown its support behind López. Everybody is innocent until proven otherwise," said Mr Otto Ferdinand Wachs, VW's executive director of public relations.

"Of course, none of this is good for our domestic or international image. Some of our critics say we have overreacted in our response to these allegations about industrial espionage. But that is not the issue," he says.

"This row is not so much a confrontation between VW and General Motors/Opel. It is about the personality of Mr López. GM is hurt because López left. López made General Motors and Opel much more competitive. GM knows that López can make VW leaner and more competitive. Fisch [VW's chairman] and López make a great team," says Mr Wachs.

"And after two, three, or four years with López, VW will be much more competitive. So the other side has only one choice: discredit López. In that sense, it is an industrial confrontation between two main competitors."

Indeed, Mr Wachs and his colleagues asked whether GM might itself have planted the documents. "We wonder about it. Look, López and VW have no need of these documents," said Mr Wachs. "But if he is forced out, the chance to create the 'third industrial revolution' will have been lost, and with it the chance to help the industry get more competitive. I hope he will pull through."

## Rexrodt in bid to free shop opening

By Quentin Peel in Bonn

GERMANY'S highly restrictive laws on shop opening hours look set to become a new political battleground, in the campaign to liberalise the German economy and make it more internationally competitive.

Mr Günter Rexrodt, the economics minister and leading member of the liberal Free Democrats, promised yesterday to try to ease the laws, or radically liberalise them, after the elections next year.

The move would be fiercely resisted both by German trade unions and by traditionalists in the churches, but would be welcomed by consumers and working couples.

The present law requires all shops to close at 18.30 on weekdays, and 18.00 on Saturdays, with a ban on all evening and Sunday trading. They are allowed to open late on Thursdays until 20.00, and on every first Saturday in the month. The only exceptions are at garages and railway stations, where a growing variety of goods is now being traded throughout the day.

No moves are possible before the 1994 elections, because the

sensitive subject of shop opening hours was not included in the agreement negotiated by the coalition parties - including Chancellor Helmut Kohl's Christian Democrats, and the conservative Christian Social Union from Bavaria - for the current parliament.

Mr Kohl showed his own caution last night, in spite of his commitment to more liberalisation, when he spoke out in television interview against Sunday working. He said it was essential to liberalise working hours to obtain longer machine running times - Germany has the shortest in the industrialised world - but not at the expense of Sundays.

Mr Rexrodt, however, told the Welt am Sonntag newspaper that the restrictions on trading hours were a fundamental political error, dating from the 1930s.

"The time is ripe to scrap the law on trading hours, in the next legislative period, or at least to liberalise it radically," he said.

With more time to shop, he said, consumers could promote competition in the retail trade, with more part-time jobs resulting from flexible hours.

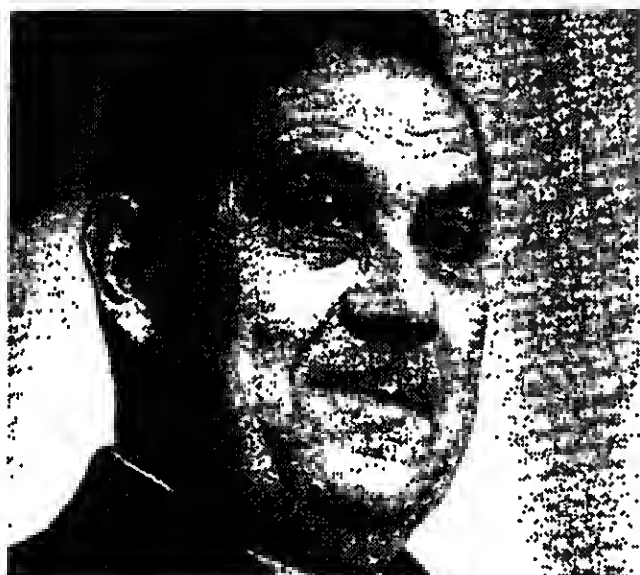
## Rebuff for Pasqua over foreigners

By Alice Rawsthorn in Paris

MR Charles Pasqua, France's hard-line interior minister, yesterday criticised the constitutional council for its decision to block some of his proposals to curb illegal immigration.

The council, which vets all legislation passed by the French parliament to ensure it conforms with the constitution, on Saturday vetoed eight of the 52 measures proposed by Mr Pasqua on the grounds that foreigners would be denied the basic rights available to anyone on French soil.

The rejected measures include banning foreign students from bringing their families to France and allowing local mayors to try to postpone, or forbid, suspected marriages of convenience between foreigners and French citizens. The council also opposed Mr Pasqua's controversial proposal to extend the detention



Charles Pasqua: renowned in France for draconian views

periods of foreigners who can not be deported because they have no identity papers.

Mr Pasqua, renowned in France for his draconian views and forthright manner, said the council's decision was "politically motivated" and that "it does not correspond to the wishes of the majority".

However, he said he would comply with its request to revise the vetoed measures and would present new proposals

to parliament when it reconvened in autumn.

Immigration has emerged as one of the most controversial domestic issues in France since the centre-right Balladur government took power in March. There are now about 4m foreigners living legally in the country and up to 1m illegal immigrants. Economic recession and the influx of emigrants from eastern Europe has heightened concern.

## INDEPENDENCE AWAITS TREATY

## Bank of France's autonomy delayed

By Alice Rawsthorn

THE LAW making the Bank of France independent of the French government must be postponed until after implementation of the Maastricht treaty on European union, according to a ruling by the French constitutional council.

The ruling, which should delay the legislation until after a European Community summit in late October, comes at a sensitive time.

The French central bank is not only burdened by a deficit on its foreign exchange holdings following its unsuccessful efforts to defend the franc, but is poised for a change of governor.

Mr Jacques de Larosière, the present governor, is expected this week to be appointed president of the Bank of European Reconstruction and Development in London and to be replaced at the Bank of France by Mr Jean-Claude Trichet, a highly respected financier who is now director of the Treas-

ury. He was previously an aide to Mr Edouard Balladur, now the French prime minister.

The independence of the Bank of France, required under the terms of the Maastricht treaty, has been one of the main legislative projects undertaken by the French centre-right government since it took office this spring. The legislation was passed by parliament earlier this summer but requires the constitutional council's approval before implementation.

The council's ruling means any move will have to wait until Germany has ratified the Maastricht treaty. The German parliament has already done so and the treaty is now awaiting approval by the German constitutional council, which is expected to announce its decision by early October.

A European Community summit, which will finally endorse the treaty, is scheduled for the end of that month.

## Ex-king sails in to test Greek waters

DEPOSED King Constantine of the Hellenes says he is just having a holiday in Greece, for the first time since the monarchy was abolished in a referendum in 1974, writes Karin Hope in Athens.

But his cruise aboard a Greek shipowner's yacht, together with his wife, Princess Anne-Marie of Denmark, and five children, is stirring controversy by resembling a royal progress more than a family excursion.

The left-wing opposition expressed outrage that the government allowed the former king to come home. Mr Andreas Papandreu, the Socialist leader, demanded his immediate expulsion. One newspaper editorial wondered why his two eldest sons, both in their 20s, were not arrested on arrival and taken off to start military service, still compulsory in Greece.

A judge in Thessaloniki last week ordered an investigation to determine whether the ex-king had committed any treasonable acts while on Greek soil, such as inciting citizens to riot.

Even the government panicked when the ex-royal family disembarked in northern Greece and set off to visit soldiers manning a border post on the frontier with Macedonia. Their jeep had to turn back after finding the road blocked by embarrased local police officers.

The minority of Greeks who admit to being monarchists have no trouble keeping up with the ex-king's activities. His trip is being exhaustively covered by a private Greek TV channel, owned by another shipowner.

## Arab hijacks Dutch aircraft

AN Arabic-speaking man claiming to have a bomb hijacked a Dutch aircraft with 139 people aboard yesterday. He forced it to land in Düsseldorf and demanded to be flown to New York. AP reports that the aircraft was not clear whether the man was armed.

He was said to have demanded the US free a blind Islamic cleric, Sheikh Omar Abdel-Rahman, linked to the bombing of New York's World Trade Centre.

All passengers and four of the seven crew members were

released as the KLM aircraft, which had been en route to Amsterdam from Tunis, Tunisia, sat on the tarmac at Rhein-Ruhr Airport.

The aircraft, a Boeing 747-400, had a range of 3,800 km and would thus have to make an intermediate refuelling stop to reach New York. It would first, however, require refuelling in Düsseldorf.

Shortly before 1300 GMT yesterday, the hijacker gave the aircraft's captain a note in English saying he would blow up the aircraft if it were not

flown to New York, according to KLM in Amsterdam.

The aircraft landed in Düsseldorf half an hour later. By 1530 GMT all but three of the crew members - the pilot, a co-pilot and a steward - had been freed, the airport official said.

Authorities said no one had been hurt. The hijacker was demanding that the aircraft, which was surrounded by security forces and parked in front of a hangar, be refuelled.

Police were negotiating with the hijacker by radio.

## Romania's striking train drivers defiant

ROMANIA'S railways remained at a near standstill last night as train drivers continued to defy last Friday's supreme court decision to suspend their strike for 80 days, writes Virginia Marsh in Bucharest.

All but a few of the country's 18,000 train drivers supported union calls to continue the strike which began last Wednesday, Radio Bucharest said.

The strike, considered the most serious labour conflict since the overthrow of the Ceausescu regime in 1989, has blocked rail traffic through the Balkans and left thousands of Romanian holidaymakers stranded in train stations around the country. However, the government has made little attempt to mediate, or provide emergency alternatives, even though many Romanians depend on public transport.

## Moscow's monetary reform traumatises republics

FORMER Soviet republics have been scrambling to agree terms with Moscow to obtain more roubles, suggesting that the Russian central bank's crude monetary reform may not have achieved its goal of a monetary divorce.

Although the main damage caused in Russia by the withdrawal of pre-1993 banknotes was psychological, the operation was a blow for neighbouring republics. They had, in recent months, been conducting much of their trade with Russia with pre-1993 banknotes ahead of western-style credit agreements to finance energy imports from Russia.

Most important, the operation does not appear to have prompted the republics either to cement their independence with their own currencies, or to keep the rouble using budgetary, monetary, and customs policies dictated by Russia.

When the central bank dropped its rouble bombshell at the end of July, only the three Baltic republics and Kyrgyzstan had introduced their own fully-fledged currencies. Ukraine and Georgia, and to a lesser extent Belarus, had introduced their own surrogate currencies which were everything but convertible. Turkmenistan and Azerbaijan, which have their own energy sup-

Russia's withdrawal of pre-1993 banknotes earlier this year has not had the intended result among its neighbours, writes Leyla Boulton

plies, promptly declared they intended to part with the rouble, but the signs are the others will continue to delay a decision.

To enable salaries to be paid and goods to be purchased domestically, Uzbekistan, Kazakhstan, Armenia and Tajikistan have said the old roubles will remain legal tender at home. But to avoid a breakdown in trade and to obtain some new "real money", they have been conducting feverish negotiations with Russia to secure new banknotes, before finalising conditions for using the rouble as their own currency.

Cynics say there is nothing to stop republics such as Uzbekistan, which has already received Rb50bn in new banknotes, from taking the new notes as a free gift from Russia and then introducing their own currency.

Meanwhile, explanations of what the policy was meant to achieve, and what is being negotiated with the republics, remain confused.

Mr Alexander Khandryev, deputy chairman of the central bank, said on Friday Russia wanted to create a

NEW regulations are to go into effect today fixing the exchange rate of the Ukrainian currency to the dollar for some trade-related dealings, writes Chrystia Freeland in Kiev. Ukrainian enterprises, which are obliged to sell 50 per cent of their hard-currency earnings to the government, will be reimbursed at the fixed rate of 5,970 coupons to the dollar.

The change is part of the government's attempt to obtain enough hard currency to offset the country's growing balance-of-payments crisis, triggered by Russia's shift to charging world prices for its oil exports to other former Soviet states.

However, top government

reformers criticised the move as a throwback to the days of central planning and said it would encourage capital flight from Ukraine.

Under the old rules, enterprises were compensated for the hard currency they were obliged to sell to the government at a floating exchange rate determined by twice-weekly hard currency auctions held at the central bank.

The new regulations allow enterprises to trade dollars above the 50 per cent surrender requirement at floating rates.

They also allow Ukrainian citizens to buy or sell foreign currency in unrestricted quantities at the floating rate.

Such help could involve printing their own currency for them, and might involve giving them shipments of new rouble banknotes. Given the problems generated for the republics by Russia's sudden change of policy in July, they should be keen to introduce their own cur-

rencies. But, while a national currency is a sign of independence and gives a republic the tools to pursue an independent economic reform policy, it is fraught with risks.

The arguments against a national currency include painful macro-economic policies needed to support a sound currency, which Estonia has achieved, but Ukraine, for instance, has not. Another powerful incentive for sticking with the rouble could be that those republics introducing their own currency will have to pay world prices for energy supplies from Russia.

The confusion in Belarus, where the central bank has been considering its own currency while the government has been looking at monetary union with Russia, reflects the difficult choices facing a republic heavily dependent on Russian energy to run its industry.

Delegations from Armenia and Belarus were in Moscow last week for talks. Mr Vladimir Manoyan, a government spokesman for Armenia, pleaded an absence of reserves (the country is spending most of its

money on supporting the war with Azerbaijan) and an economic blockade as special reasons for sticking with the rouble for now.

But while accepting that Armenia, Tajikistan and Moldova - all small states involved in political and military strife - were special cases which could keep the rouble, Mr Khandryev said the aim of talks with Belarus was different.

Because Belarus had already introduced its own currency, when it started printing coupons to make up for a shortage of rouble banknotes last year, he said details now needed to be worked out on how, for instance, it would pay for Russian energy supplies.

On the domestic front, Mr Khandryev said the objective of forcing individuals to place more than Rb100,000 in bank accounts, at interest rates far lower than inflation, was to make entrepreneurs declare untaxed revenues. But implementing the policy is proving fraught with difficulties.

Perhaps the only positive outcome of the rouble move is that it has tested the tender shoos of a growing civil society, with the Russian Association of Banks asking the constitutional court to examine whether the move violated property rights.

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## Counting the cost of trade impasse

By Frances Williams in Geneva

CONSUMERS worldwide are paying billions of dollars in higher prices for many goods and services because of governments' failure to conclude the Uruguay Round of global trade talks, the General Agreement on Tariffs and Trade says in a report published today.

The report marks another step in the campaign by GATT's new director-general, Mr Peter Sutherland, to convince political leaders and a wider public of the benefits of a swift conclusion to the long-delayed

### GOVERNMENT SUPPORT FOR AGRICULTURE

	\$bn	\$ per head
Australia	1.8	89
Austria	4.2	530
Canada	9.1	330
EC	155.9	450
Finland	4.5	910
Japan	74.0	600
New Zealand	0.1	15
Norway	4.1	970
Sweden	3.2	370
Switzerland	5.8	840
US	91.1	360
OECD Total	353.7	440

Source: OECD

negotiations. The round, launched in 1986, is now due to end in mid-December, three years behind schedule.

Commenting on the report, which draws together the results of independent research, Mr Sutherland said virtually all protection meant higher prices. "It is high time that governments made clear to consumers just how much they pay - in the shops and as taxpayers - for decisions to protect domestic industries from import competition."

GATT notes that European Community consumers each paid an average of \$450 (£302) last year in higher prices and taxes to support EC farmers, according to the OECD. For the US, the cost was \$360 per head, and for Japan \$600.

For clothing, GATT estimates based on earlier studies suggest that protection may now be costing a family of four up to \$430 a year in the US, \$220 a year in Canada and \$180 a year in Britain.

High trade barriers imposed by the EC on imports of electronic goods cost consumers almost \$1.3bn a year, according to Britain's National Consumer Council.

Yet trade protection, which hits poor households hardest, cannot be justified as an effective way of saving threatened jobs, GATT argues.

The Uruguay Round, if successful, will cut tariffs by at least a third, eliminate quotas and many other restraints on trade, reduce farm subsidies and strengthen GATT's fair trade rules.

## Canada hails victory on Nafta talks

By Bernard Simon in Toronto

CANADA'S Progressive Conservative government is congratulating itself on a big political victory in persuading the US to give Canada special treatment under the new environmental and labour side-agreements to the North American free trade agreement.

With prime minister Kim Campbell expected to call a general election within the next few weeks, the deals have given her another opportunity to distance herself from the unpopular, pro-Washington record of her predecessor, Mr Brian Mulroney.

Under a last-minute compromise, Canada won the right to refer environmental and labour disputes to its domestic courts as a last resort, rather than face a suspension of Nafta trade benefits.

At the end of last week, Mr Tom Hockin, Canada's trade minister, said: "I could not tolerate that option for Canada because we negotiated Nafta to knock down trade barriers."

As a result of a compromise reached at close to midnight on Thursday, any dispute involving a Canadian company will be referred to the last resort to the Canadian courts.

Mr Hockin said all three governments envisaged that trade sanctions and referral to disputes to the courts "will hardly ever happen".

Canadian trade officials, however, have played down the importance of the dispute-settlement mechanism in the side-

deals. They said the strength of the deals lay more in the machinery for co-operation and consultation than in their punitive measures.

The dispute settlement mechanism can be invoked only in cases where it appears that one of the three governments is consistently failing to enforce the labour or environmental standards set down in domestic law.

Although companies and individuals will be able to submit complaints, only the three governments will be able to invoke the complex dispute settlement mechanism.

Action against individual polluters falls outside the scope of the side-agreements and remains the responsibility of the host government.

The Canadian parliament has already passed legislation implementing Nafta. It will not be proclaimed law however, until the agreement has been ratified by the US and Mexico.

The side-deals will require only a minor amendment to an existing law.

However, Canada's provinces, which have jurisdiction over large areas of labour and environmental policy, will not be bound by the agreements until they sign on.

The opposition Liberal party said the side-agreements failed to satisfy its objections to Nafta. A spokesman said a Liberal government would seek to renegotiate the agreement to give Canada a better deal on such issues as energy, subsidies and dispute settlement.

## Acquittal clouds future of BCCI case

Altman case raises fundamental questions about bank fraud, writes Alan Friedman

THE acquittal on Saturday of Mr Robert Altman was a serious blow to the prosecutors who have been toiling for years on the case from the office of Mr Robert Morgenthau, the respected Manhattan district attorney who has led the world in tackling the corruption at BCCI.

The development also raises fundamental questions for US law enforcement officials that are both specific and general in the BCCI case. First, there is the issue of where to go from here on BCCI. Then there is the broader matter of how bank regulators and prosecutors can best tackle international bank fraud when it transcends national boundaries.

The joint indictment 13 months ago of Mr Altman and of Mr Clark Clifford, the former US defence secretary, was the high-water mark in the campaign to prosecute those suspected of involvement in BCCI's 20-year history of fraud and deception.

In the US the leadership on BCCI came from Mr Morgan-

thau, partly because the Bush administration's Department of Justice had been noticeably lethargic on the case.

The 86-year-old Mr Clifford has been able to avoid trial thus far on the grounds that he is too ill to come to court. Charges against him have been deferred, and few in Washington expect him ever to go to trial. Separate charges against both Mr Clifford and Mr Altman were lodged in Washington, but these too might be dropped as a result of the New York acquittal.

A number of the key BCCI figures who have been indicted in the US, including Mr Sweleeb Naqvi, the former BCCI chief executive, are meanwhile in Abu Dhabi or other places beyond the reach of the US.

It is thus unclear, aside from appealing against the Altman conviction, how Mr Morgenthau's office will proceed from here. There is a real risk that those BCCI officials involved in the more shocking acts of corruption will ultimately escape trial anywhere.

In broader terms, the Altman acquittal highlights the difficulty of policing the international financial markets when no single regulator is in charge of monitoring specific institutions.

After the BCCI trial's collapse in New York, the next important international banking scandal to find its way to US courts will be the trial next month of Mr Christopher Drogoul, the former manager of the Atlanta branch of Italy's Banca Nazionale del Lavoro (BNL). The BNL case is very different, however.

Mr Drogoul is accused of defrauding the US government and BNL's Rome head office by making more than \$5bn (£3.5bn) of improper loans to Iraq.

The difference, however, is that Mr Drogoul, joined by investigators in the US Congress and the Italian parliament, has claimed the Atlanta loans were secretly countenanced by the US and Italian governments as part of the tilt towards Mr Saddam Hussein.



Robert Morgenthau: took the leadership in the US on BCCI

## Brazil names third bank governor in year

By Christina Lamb in Rio de Janeiro

BRAZIL'S chief debt negotiator has been named the country's new central bank governor in yet another shuffle of key economic personnel after a public clash between President Itamar Franco and the former governor.

Mr Pedro Malan returns from Washington to replace Mr Paulo Cesar Xinones, whose turbulent five months as governor came to an end on Friday night. Mr Xinones resigned along with the whole of the bank's board after a dispute with the president over the

validity of predated cheques written before the country's recent change of currency. But the two had repeatedly come to blows over Mr Franco's low interest rate policy.

Although the business community was irritated by yet another change in the economic team - there have been three central bank governors and five finance ministers in the past year - the choice of Mr Malan was generally welcomed, as was the accompanying announcement by Mr Fernando Henrique Cardoso, the finance minister, that interest rates are to drop.

Mr Malan is considered to have done a masterful job at negotiating a Brady deal for restructuring Brazil's \$44bn (£29.5bn) commercial debt amid the country's economic crisis. The deal is due to be completed on November 30 though the timing could be jeopardised by the country's continuing failure to reach a new accord with the International Monetary Fund.

Mr Malan has excellent relations with the international financial community, having lived for 10 years in Washington, where he has worked for the World Bank and Inter-American Development

Bank before becoming debt negotiator. Aged 50, Mr Malan also appears to have unusually long staying power by Brazilian standards. He has held his position as debt negotiator for three years despite numerous changes at the helm of the Finance Ministry.

Assuming the mantle of Central Bank governor is an unenviable task, with inflation for this year nearing a record 2,000 per cent. Mr Malan has already turned down the job on two previous occasions. But he was persuaded by Mr Cardoso, with whom he enjoys close working relations.

## Caracas approves two oil projects

By Joseph Mann in Caracas

THE Venezuelan Congress has approved two oil projects worth a total of \$4.8bn (£3.2bn), in which international investors will play an important role.

The two joint ventures involve the production, upgrading and international placement of heavy crude oil from Venezuela's Orinoco Belt, the world's largest accumulation of heavy oil and bitumen.

In both projects, the Venezuelan partner will be Maraven, a subsidiary of Venezuela's national oil company, PDVSA.

Conoco, a unit of E.I. du Pont de Nemours, will hold 49.9 per cent equity in one project that calls for total expenditures of \$1.7bn. The promoters plan to produce 120,000 barrels

per day of heavy crude oil and use a delayed coking process to make lighter crude that can be processed by a Conoco refinery in the US. Maraven will also have 49.9 per cent equity.

In the other project, which has a projected cost of \$3.1bn, the international partners will be France's Total and two Japanese companies, Hitachi and Marubeni.

At present, Total is expected to have 40 per cent of equity, Maraven 35 per cent and two Japanese partners 25 per cent. Maraven said the equity composition of the projects could change if new international partners were added.

On August 10, the Congress opened the door to foreign investment in Venezuela's oil and gas industries for the first time since the 1976 nationalisation.

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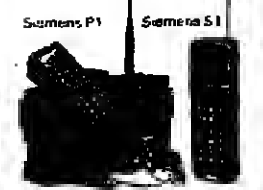
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## NEWS: INTERNATIONAL

# Beijing puts new clamps on media

By Tony Walker in Beijing

CHINA has announced additional restrictions on news dissemination in a clear sign that as part of the current austerity drive the authorities are also intent on reining in the local media.

The State Council, or cabinet, warned in the new regulations, issued at the weekend, against the holding of unauthorized news conferences, and urged the press to concentrate on "positive news".

The State Council circular stated that news conferences should focus on "important issues" such as promoting "economic and spiritual civilisation".

The crackdown on the spread of information coincides with attempts by the central government to regain control of the economy under a new stabilisation plan introduced last month.

It also comes amid signs of a sterner attitude towards art and literature generally with the banning late last month of the award-winning film, *Farewell to My Concubine*. The authorities have given no reason for the ban, but members of the leadership are believed to have been incensed by the film's negative portrayal of the Communist party.

The State Council circular also warned against the leaking of "party and state secrets", using language reminiscent of an earlier, less liberal era.

The new regulations follow measures introduced this month to penalise severely journalists who accepted bribes or other financial

inducements - what was described at the time as "news-writing for illicit payment".

The authorities were reacting to the fairly widespread practice of Chinese journalists accepting money to write flattering articles about companies and their products.

Tighter restrictions on the media coincide with attempts by Beijing to combat corruption, fight tax evasion, and counter rampant smuggling across China's borders.

The Bank of China, the country's central bank, will issue its first Hong Kong dollars next May, one of its vice chairmen was quoted as saying yesterday. Reuters reports from Beijing.

The initial volume was expected to be in the region of HK\$300 to HK\$500 (US\$39 to US\$65) million, Mr Huang Diansheng told the Xinhua news agency. Until now the British colony's dollars have been issued only by the Hong Kong and Shanghai Bank Corp (HSBC) and the Standard Chartered Bank. A British colony since 1842, Hong Kong becomes a Chinese special administrative region on July 1 1997.

Mr Huang said all the necessary legal procedures for the issue were completed, leaving only technicalities to sort out. "We sincerely hope that the Hong Kong Bank, Standard Chartered and other international banks will stay and develop in Hong Kong on a long-term basis, so as to jointly work toward the prosperity of Hong Kong's financial market and consolidate and further promote its status as an international financial centre," he said.

# South Korea shares continue to fall

THE South Korean stock market fell for a second day on Saturday in response to an immediate ban on anonymous financial transactions, but there were indications that investor panic at the measure could subside this week, writes John Burton in Seoul.

The general share index fell to 666 on Saturday, an 8 per cent drop since Thursday, when the anti-corruption action was announced.

The fall on the market was caused by investors liquidating their false-name accounts to move their funds elsewhere and avoid paying taxes.

But analysts noted that trading vol-

ume at 21.2m shares was up sharply from Friday's 1.3m shares, indicating that institutional investors were enter-

**Investors are liquidating their false-name accounts**

ing the market to take advantage of buying opportunities.

Meanwhile, gold prices and the black market dollar rate stabilised. It had been expected that holders of false-

name accounts would rush to acquire gold and illegal dollars in an attempt to hide money from the tax authorities.

The property market was calm after officials said they would need to approve all transactions for the next three months to prevent the flow of hidden money into that sector.

Cash withdrawals from banks were reported to be at normal levels, with few customers shifting false-name accounts to ones held under their real names as required under the new rules.

Sales of safes fell sharply, however, as the government announced that it would track buyers who could possibly

use them to conceal their assets.

Most lenders on the unofficial korb market, which is largely financed by the money held in the false-name accounts, remained closed.

Small and medium-sized businesses depend heavily on the korb market for financing, but the virtual closure of the korb market has not so far affected their operations.

The central bank reported that few businesses were requesting the emergency loans which had been offered by government to prevent possible bankruptcies resulting from the introduction of the real-name system.



A defendant (left) raises the Koran in defiance from behind prison bars during the first session of a Cairo military trial yesterday.

Fifty-three Muslim militants are accused of belonging to an illegal organisation plotting to overthrow the Egyptian government, Renter reports.

Earlier a Cairo civilian court at the weekend acquitted 24 alleged Muslim militants who were accused of murdering parliamentary speaker Mr Rifat Mahgoub, who was gunned down together with five of his bodyguards in October 1990, adds Shabira Idris.

The State Security Court cleared 14 of the defendants on all charges and jailed the remaining 10 for terms ranging from three to 15 years for possession of arms, forging documents and other related charges.

The verdict was in sharp contrast to the 15 death sentences passed by military courts on Muslim fundamentalists in the past two months.

After a spate of terrorist attacks by Muslim extremists, resulting in the death of over 170 people in the last 18 months, the Egyptian government has resorted to military courts in cases involving Muslim militants to ensure harsh and swift sentences.

# Babangida set to compromise on government

By Paul Adams in Lagos

PRESIDENT Ibrahim Babangida is expected to end uncertainty over the make-up of the proposed interim government when he addresses Nigeria's national assembly in the capital Abuja tonight.

Government officials have speculated that the new administration will contain about six military commanders but will be led by a civilian, with the possibility that President Babangida could retire from the army and remain in office.

It has also been suggested that the new government will be subject to a higher military council and will lack power, as was the case with the outgoing transitional council appointed in January.

Nigeria's three-day strike, which ended on Saturday, showed that pro-democracy groups can defy the military regime by peaceful protest in Lagos and the south-west, but cannot rally support in the rest of the country.

The Campaign for Democracy (CD), the loose association of civil liberties groups which is behind the civil protest, claim the arrest without trial of three of their leaders, including chairman Dr Beko Ransome-Kuti, closure of some of the independent press and the passing of some repressive decrees have left Nigerians more politicised in the past two months than in 10 years of military rule.

The CD's unconditional rejection of the interim government commands support in the south-west, the Yoruba homeland of Chief Moshood Abiola, victorious candidate in the annulled June poll.

The Nigeria Labour Congress (NLC), while committed to civilian handover on August 27, has not upheld Mr Abiola's claim to be the next head of state but only the oil workers' union has said it is ready to strike before August 27. An oil strike could cut the government's only big source of foreign exchange.

# Deportees in phased return

Almost 400 deported Palestinians, who have spent eight months stranded in no-man's-land between Israel and south Lebanon, yesterday accepted an Israeli offer of a phased return, writes David Horowitz from Jerusalem.

About half will return next month, with the rest returning at the end of the year. The deportees, mostly linked to the fundamentalist Hamas and Islamic Jihad movements in the occupied West Bank and Gaza Strip, were expelled last December after six Israeli soldiers had been killed in the occupied territories.

Until yesterday, the deportees had insisted Israel take back all or none of them. But after debating the latest Israeli offer, spokesman Abdul-Aziz Rantisi yesterday said they had changed their position because over 100 of them needed medical care, because their families wanted them home because the UN had failed to press for the implementation of a December 18, 1992, resolution calling on Israel to repatriate them all immediately, and because the Arab world had ignored their pleas to boycott the Middle East peace process until they were allowed home.

# Charges over Hussein plot

Ten Muslim fundamentalists in Jordan are to be charged with plotting to assassinate King Hussein at a university ceremony last June, writes James Whittington in Amman.

In April, 31 students and staff from Mn'ta University were arrested. All of them were suspected members of the banned Islamic Liberation party, which seeks to establish an Islamic state in Jordan. Twenty-three have been released, but security sources confirm that the remaining eight, along with two other suspects still at large, will be formally charged with treason, an offence punishable by death.

In a separate development, Jordan on Saturday hanged two men convicted of spying for Israel, according to local newspapers.

# Gunmen kill 16 in India

Gunmen killed 16 bus passengers on the Jammu-Kashmir road in northern India at the weekend, writes Shiraz Siddiqui from Srinagar. Witnesses said the gunmen asked Moslems to get off the bus before spraying bullets into the 16 remaining Hindu passengers, killing 14 immediately.

# Shortest of honeymoons for Hosokawa

Gordon Cram on the Japanese prime minister's need to serve many political aces

MR MORIHIRO Hosokawa is on holiday. A week can be a long time in politics, and the reformist politician sworn in last Monday as Japan's prime minister has given himself a summer break at the end of it.

Spending a few days north-west of Tokyo playing tennis and reading, he can bask in approval ratings put by opinion polls at around 75 per cent.

But the evidence of the week is that holding together the seven parties in his coalition will be nothing other than hard work.

The seven have failed to agree on the core issue of which electoral system should replace the current multi-seat constituencies. These are blamed for engendering corruption as candidates spend money competing with others

with whom they have no party or ideological differences.

The system being mooted mixes deputies elected by single-seat voting districts, and by a nationwide party tally under proportional representation. Seven party mathematicians have worked out the most favourable outcome for each, and no mechanism has yet been found which will avoid electoral harakiri for at least one of the partners.

A decision has been put off until after Mr Hosokawa, founder of the year-old Japan New party who has staked his future on delivering political reform by the end of the year,

gives a policy speech to the Diet a week today.

In the meantime, other issues have been highlighted: the fragility of the alliance grouping Socialists, Buddhists and those who defected from the Liberal Democratic party towards the end of its 38-year conservative rule.

Mr Hosokawa put down his racquet yesterday to join Emperor Akihito at the government's annual ceremony marking the surrender of Japanese imperial forces at the end of the second world war. The premier offered his condolences to Asian victims of the country's aggression, the first holder of

his office to do so in so formal a manner.

Leaders of the left-wing Social Democratic party, largest member of the coalition, showed up for the first time.

But down the road, four of his cabinet paid their respects at the Yasukuni shrine to the memory of Japan's own war dead, including those deemed war criminals.

They were all from the Japan Renewal party formed by more recent - and, some believe, relatively unconcerned - LDP defectors.

An admission by the LDP, on its final day in office, that the army dragged so-called com-

fort women into providing sexual services in occupied countries has sparked debate about how much more Japan needs to atone for past wrongs. One report yesterday said Mr Hosokawa was contemplating setting aside as much as ¥1,000bn (US\$76bn) as a war legacy for his Asian neighbours.

Such a sum would be likely to cause palpitations among Finance Ministry bureaucrats trying to restrain government spending as the country's economic slowdown knocks tax revenues.

Ministers will have to provide in the next few weeks over arguments about whether cuts

in income tax and compensatory increases in VAT will better stimulate demand - an idea to which the SDP is deeply hostile - as well as whether to pass on to consumers the benefits of the stronger yen on energy prices.

Income for the country's political parties themselves is under review. The government wants to abolish corporate donations, and apparently won a convert yesterday in Mr Gishiki Hiraoka, head of the Keidanren, Japan's largest business grouping. He is proposing an end to contributions, put at ¥13bn a year which

went largely to the LDP.

The Social Democrats are expected to protest if the debate extends to the trade union contributions with which it is largely funded. The SDP is always engaged in an awkward period of introspection following an announcement on Thursday by Mr Sadao Yamahana, its chairman, that he would submit to a leadership contest.

Mr Yamahana, a moderate, is also minister in charge of political reform in the new government.

If he is ousted by a challenger from the SDP left, which is less than comfortable with its coalition partners, Mr Hosokawa's arithmetic could be altered dramatically.

The prime minister is on vacation until Thursday, but his political honeymoon may already be over.

# Ignore the gripe, don't believe the hype

TO JUDGE BY the rhetoric of economic commentary, almost every major economy is in dire straits. The US recovery is heading from anaemic to "seriously in doubt" in the pundit's lexicon. Recessionary Japan is meanwhile on the verge of a "double dip". The effects of Germany's deepening recession are spreading across the continent. Only the British economy, despite setbacks to its nascent recovery, has "defied the sceptics" over the past six months. But the conventional economic wisdom is more than usually misleading.

The US economy has been difficult about recovering because, at least by past US standards, it had a short dose of recession to recover from. Federal reserve chairman Alan Greenspan's move to cut interest rates in 1990 spared the US a lengthy period of negative growth. Output fell by just 2.2 per cent between the second quarter of 1990 and the first quarter of 1991. It has since more than recovered this lost ground, as the chart shows. But American consumers had only a year to correct their debt-laden balance sheets before they

were expected to begin the cycle all over again. After this brief period of retrenchment, the fact that personal sector debts remain equivalent to 100 per cent of disposable income, compared with 75 per cent in 1980, makes for a restrained upturn.

The UK recovery, while also held back by personal sector debts, may prove faster than America's. But once again, the chart puts matters in perspective. The UK is currently recovering from two years of falling output and high nominal interest rates. UK output fell by 4 per cent between the second quarter of 1990 and the second quarter of 1992 and has not yet returned to its level at the beginning of 1989.

Japan's record does not look too bad when judged against this rather dismal Anglo-Saxon performance. Despite last week's worries about a "double dip", Japan has barely had a single dip worth noting. Japanese output fell by a mere 0.6 per cent between the second and third quarters of 1992. It has risen by 14 per cent since the end of 1989.

Only Germany's recent performance fits

the rhetoric. Since the first quarter of last year, west German output has fallen by 2.8 per cent. Even so, this fall followed a dramatic period of post-unification growth. Between the fall of the Berlin Wall in late 1989 and the onset of recession, output rose by 9.8 per cent. And France and Italy, while facing a difficult year, have not experienced anything like the falls in output that debt-burdened America and Britain have suffered.

So why this need to describe every economy with the same doom-laden language? Headline writers are partly to blame. But politics also plays a role.

In Britain, government politicians have been relieved at the pace of recovery, even though economists remain sceptical about its staying power. Across the Atlantic, things are less comfortable. President Bill Clinton, like Mr Bush before him, faces a politically potent gap between economic performance and expectation. To fill it, the new resident at the White House has turned abroad - to Germany and Japan - to provide the boost to demand which US

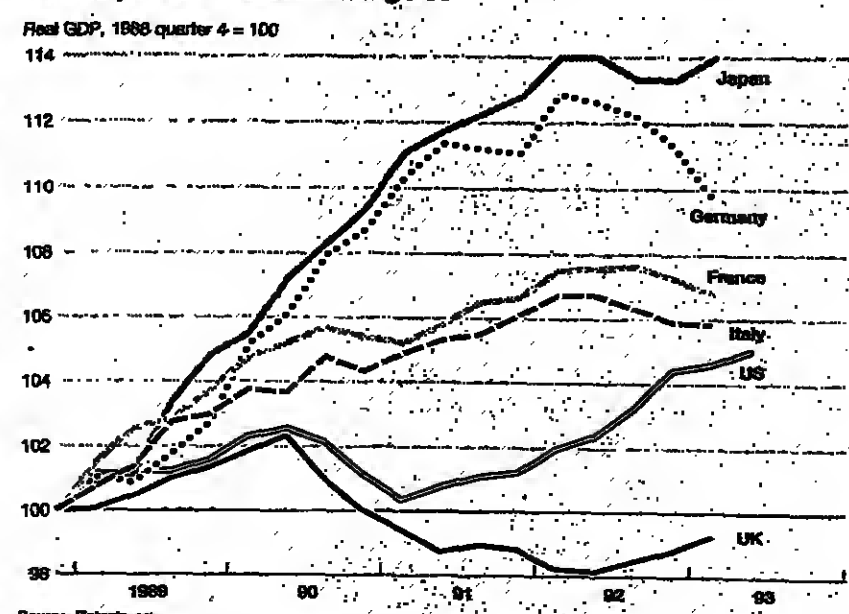
public opinion demands.

Mr Clinton's quest for growth has had some success. The Bundesbank is still holding out against US and European demands for further German interest rate cuts. But Japan's current account surplus has proved an easier target. Though foreign trade accounts for only around 11 per cent of American GDP, US Treasury officials have successfully exhorted the Japanese government to boost their domestic economy through higher public spending and further cuts in interest rates.

The Clinton administration has a point. The Japanese economy is losing momentum, less government saving and more demand for imports is the best way to cut the trade surplus, and boosting Japanese domestic demand might help the US recovery along. But the chart makes attempts to feign Japan's recent contribution to world growth seem a little short-termist.

Stephanie Flanders and Edward Balls

G6 output: six roads diverge



INTERNATIONAL ECONOMIC INDICATORS: NATIONAL ACCOUNTS

Figures for GDP/GNP are in billions of European currency units (Ecu). The first breakdown is in current prices and the second shows growth rates in the constant price series.																																				
■ UNITED STATES						■ JAPAN						■ GERMANY						■ FRANCE						■ ITALY						■ UNITED KINGDOM						
Current Prices	GDP	Cons.	Inv.	Govt.	Net Exports	Current Prices	GDP	Cons.	Inv.	Govt.	Net Exports	Current Prices	GDP	Cons.	Inv.	Govt.	Net Exports	Current Prices	GDP	Cons.	Inv.	Govt.	Net Exports	Current Prices	GDP	Cons.	Inv.	Govt.	Net Exports	Current Prices	GDP	Cons.	Inv.	Govt.	Net Exports	
1985	5,238.1	96.0	17.7	19.1	-2.9	1,780.2	96.7	23.0	9.5	3.7	83.1	56.5	18.5	19.9	4.2	68.18	80.2	18.8	18.2	4.3	70.71	80.2	19.8	18.2	4.3	68.18	80.2	18.8	18.2	4.3	70.71	80.2	19.8	18.2	4.3	
1986	4,339.9	86.8	19.9	19.5	-3.1	2,033.3	58.4	27.7	9.6	4.3	83.1	56.5	18.5	19.9	4.2	70.71	80.2	19.8	18.2	4.3	70.71	80.2	19.8	18.2	4.3	68.18	80.2	18.8	18.2	4.3	70.71	80.2	19.8	18.2	4.3	
1987	3,633.7	87.2	18.5	19.4	-3.2	2,102.2	58.4	28.4	9.4	3.8	987.5	55.3	19.2	18.6	5.6	770.5	60.8	20.2	18.1	0.1	658.4	62.4	21.0	18.8	-0.3	600.9	63.2	17.9	20.1	18.5	-3.8	705.5	64.1	20.1	18.5	-3.8
1988	4,141.1	87.3	18.2	18.7	-2.2	2,460.0	57.5	30.4	8.1	2.9	1,075.6	54.7	20.0	19.6	5.8	811.9	59.8	21.4	18.7	0.1	710.5	61.8	21.5	17.1	-0.5	705.5	64.1	20.1	18.5	-3.8	705.5	64.1	20.1	18.5	-3.8	
1989	4,768.1	87.1	18.8	18.8	-1.5	2,625.2	57.3	31.5	9.1	2.1	1,087.1	54.7	20.0	19.6	5.8	811.9	59.8	21.4	18.7	0.1	710.5	61.8	21.5	17.1	-0.5	705.5	64.1	20.1	18.5	-3.8	705.5	64.1	20.1	18.5	-3.8	
1990	4,332.8	87.8	14.5	18.9	-1.2	2,322.0	57.0	32.5	9.0	1.4	1,189.2	54.1	21.0	18.2	6.7	940.1	59.5	22.3	18.2	0.0	861.1	61.8	21.0	17.7	-0.4	770.5	64.1	20.1	18.5	-3.8	705.5	64.1	20.1	18.5	-3.8	
1991	4,581.8	88.5	17.7	19.2	-0.4	2,726.2	56.2	32.2	9.1	2.5	1,287.1	53.9	21.2	17.8	7.1	990.8	59.8	21.2	18.5	0.3	931.8	62.1	20.5	17.8	-0.3	818.2	64.1	15.8	21.2	-1.0	818.2	64.1	15.8	21.2	-1.0	
1992	4,552.6	88.9	17.8	18.7	-0.5	2,699.0	56.5	30.9	9.3	2.3	1,355.5	53.3	21.9	17.7	7.0	1,022.9	60.4	19.8	18.9	1.3	972.0	63.1	19.4	17.7	-0.2	806.5	64.8	16.1	21.6	-1.7	806.5	64.8	16.1	21.6	-1.7	
2nd qtr 1992	4,641.1	88.7	17.1	18.9	-0.6	2,850.2	56.1	31.3	9.3	3.3	1,355.5	53.3	21.9	17.7	7.0	1,022.9	60.4	19.8	18.9	1.3	972.0	63.1	19.4	17.7	-0.2	806.5	64.8	16.1	21.6	-1.7	806.5	64.8	16.1	21.6	-1.7	
2nd qtr 1992	4,332.8	88.7	17.1	18.8	-0.6	2,712.3	56.9	30.6	9.3	3.2	1,372.2	53.6	20.6	18.3	7.3	1,022.9	60.4	19.8	18.9	1.3	972.0	63.1	19.4	17.7	-0.2	806.5	64.8	16.1	21.6	-1.7	806.5	64.8	16.1	21.6	-1.7	
4th qtr 1992	4,604.8	89.0	17.2	18.5	-0.7	3,022.9	56.4	30.2	9.5	3.7	1,418.7	54.7	20.6	18.2	5.5	1,057.3	60.8	18.8	19.2	1.2	985.8	63.2	18.8	17.9	0.2	746.3	65.9	14.7	22.0	-2.5	746.3	65.9	14.7	22.0	-2.5	
1st qtr 1993	5,155.8	89.3	17.7	18.2	-0.8	3,267.2	56.9	30.0	9.5	3.6	1,409.3	55.5	19.9	18.1	6.5	1,057.3	60.8	18.8	19.2	1.2	985.8	63.2	18.8	17.9	0.2	746.3	65.9	14.7	22.0	-2.5	746.3	65.9	14.7	22.0	-2.5	
2nd qtr 1993	5,155.8	89.3	17.7	18.2	-0.8	3,267.2	56.9	30.0	9.5	3.6	1,409.3	55.5	19.9	18.1	6.5	1,057.3	60.8	18.8	19.2	1.2	985.8	63.2	18.8	17.9	0.2	746.3	65.9	14.7	22.0	-2.5	746.3	65.9	14.7	22.0	-2.5	
■ % growth in						■ % growth in						■ % growth in						■ % growth in						■ % growth in						■ % growth in						
Current Prices	GDP	Cons.	Inv.	Govt.	Exports	Current Prices	GDP	Cons.	Inv.	Govt.	Exports	Current Prices	GDP	Cons.	Inv.	Govt.	Exports	Current Prices	GDP	Cons.	Inv.	Govt.	Exports	Current Prices	GDP	Cons.	Inv.	Govt.	Exports	Current Prices	GDP	Cons.	Inv.	Govt.	Exports	
1985	3.2	4.4	-1.5	6.1	1.2	5.1	3.3	9.5	1.7	6.5	2.0	1.6	-1.0	2.1	7.6	1.9	2.4	2.6	2.3	1.8	2.6	3.0	1.7	3.4	3.2	3.9	3.6	2.5	0.0	3.8	3.9	3.6	2.5	0.0	3.8	
1986	2.9	3.6	-1.5	5.2	8.9	2.7	3.4	4.3	4.5	-5.3	2.2	3.4	4.0	2.8	-0.1	2.5	3.9	8.8	1.7	-1.4	2.9	3.7	1.4	2.8	2.5	4.1	-6.4	2.2	1.8	5.7	4.1	-6.4	2.2	1.8	5.7	
1987	3.1	2.9	1.8	3.4	10.5	4.2	4.2	8.2	0.4	4.6	1.4	3.3	1.3	1.5	0.5	4.3	2.8	5.1	2.8	3.1	3.1	4.2	4.9	3.4	4.7	4.8	5.5	10.2	1.2	5.8	4.8	5.5	10.2	1.2	5.8	
1988	3.9	3.1	2.9	1.6	6.9	6.3	5.2	2.2	2.2	10.7	3.5	4.5	3.3	2.8	2.6	4.5	3.3	8.8	2.4	0.5	4.1	4.2	8.3	2.6	5.4	4.7	7.4	16.1	3.5	3.6	4.7	7.4	16.1	3.5	3.6	
1989	2.5	1.9	1.4	2.0	11.8	4.8	4.3	9.5	2.0	15.0	4.0	3.0	5.5	-1.6	11.9	4.3	3.1	8.8	0.5	10.2	2.8	8.5	2.3	0.6	5.8	2.1	3.3	5.2	0.8	3.6	2.1	3.3	5.2	0.8	3.6	
1990	0.9	1.2	-5.7	2.8	8.1	4.8	4.0	7.8	1.8	10.6	5.0	5.3	7.0	-2.3	11.7	2.5	2.9	3.2	2.0	5.3	2.1	2.5	3.7	1.2	7.0	0.6	0.7	-7.4	3.5	4.8	0.6	0.7	-7.4	3.5	4.8	
1991	-1.1	-0.6	-10.5	3.3	12.8	3.6	1.5	-1.2	3.3	4.8	3.6	3.6	3.3	1.2	6.5	0.7	1.4	-8.1	2.5	3.8	12.3	2.3	1.1	1.5	0.5	2.3	-2.0	-10.0	3.2	0.1	2.3	-2.0	-10.0	3.2	0.1	
1992	-2.1	2.3	7.8	-0.3	6.3	1.5	1.8	-1.7	2.4	2.4	0.5	0.9	1.2	2.5	2.3	1.4	1.7	-4.6	2.7	6.9	0.8	1.8	-1.3	1.1	5.0	-0.6	0.0	2.5	0.0	2.7	-0.6	0.0	2.5	0.0	2.7	
2nd qtr 1992	1.6	1.1	9.9	-1.2	5.1	2.0	1.6	-0.3	2.4	3.3	1.0	-0.5	0.3	3.2	4.6	1.7	1.1	-2.7	2.8	7.9	1.3	2.5	1.3	0.9	2.9	-0.8	0.1	4.8	0.6	2.8	-0.8	0.1	4.8	0.6	2.8	
2nd qtr 1992	2.1	2.1	7.9	-0.3	5.8	0.8	1.5	-3.4	3.8	1.3	0.0	1.5	-3.2	1.2	2.2	1.1	1.8	-6.5	2.7	5.9	1.0	1.8	-4.1	1.2	7.8	-0.6	0.6	5.5	-1.6	0.9	-0.6	0.6	5.5	-1.6	0.9	
4th qtr 1992	3.4	3.4	9.8	0.4	4.9	0.5	0.3	0.3	0.3	4.9	0.5	0.9	1.1	1.7	-0.6	0.6	1.9	-6.5	2.4	3.9	-0.2	0.4	-8.8	1.0	5.6	0.0	1.3	-0.7	-1.0	0.0	1.3	-0.7	-1.0	0.0	1.3	
1st qtr 1993	2.8	2.3	17.2	-1.9	3.3	0.0	0.5	-4.1	2.5	2.7	-3.4	-0.3	-11.5	-1.4	-3.0	-0.7	0.6	1.6	1.8	-8.0	-0.8	-0.8	-0.5	-2.8	0.9	8.8	1.1	2.3	-3.1	-2.6	0.0	1.1	2.3	-3.1	-2.6	0.0
2nd qtr 1993	2.5	2.3	8.1	-1.5	4.8																															



# British Gas expected to escape break-up

By David Lascelles, Resources Editor

BRITISH Gas, the privatised utility company, is widely expected to be spared from break-up in the recommendations of the Monopolies and Mergers Commission report due to be released tomorrow.

The report is likely, however, to call for a more transparent structure to the giant gas company, as well as the phased removal of its monopoly of the tariff market for domestic households and small businesses.

A second report will also recommend a rate of return for British Gas's pipeline and storage business,

setting the stage for greater competition by new entrants into the gas market.

The contents of the two long-awaited reports, which run to 2,000 pages, have remained closely guarded since they were delivered by the MMC to the Department of Trade and Industry and Ofgas, the industry regulator, two weeks ago.

Even British Gas has only seen part of the reports, though it will receive both today, ahead of tomorrow's publication.

Unusually, the Monopolies and Mergers Commission (MMC) is expected to make a statement about the

reports tomorrow. This is because of the complications caused by the four separate monopoly references which triggered the reports, and the fact that they are being released before the government has had the opportunity to decide what action to take.

The Department of Trade and Industry (DTI) will be issuing the reports without comment. Ministers intend to study them for some weeks before deciding whether to accept their recommendations.

Ogas will have to decide whether to implement the rate of return recommendations, though it has already agreed to co-ordinate any

action with the DTI. This will mean further uncertainty for British Gas which has been vigorously resisting a possible break-up.

The expectation that the MMC's recommendations will be less severe on British Gas than originally expected helped drive the company's share price up 25p to 333p last week, a record high, in heavy trading.

Mr Michael Sayers, gas industry analyst at Salomon Brothers, said: "I am not expecting the MMC to recommend a full scale break up of British Gas. But I do think there will be a move towards complete accounting separation of the transport and stor-

age business."

British Gas's competitors are also hoping that the MMC will recommend lowering the threshold for entry into the tariff market. At the moment, British Gas has a monopoly of all customers who use less than 2,500 therms a year, the majority of gas consumers.

Mr Norman Ellis, the managing director of Kinetica, a leading independent gas company, said: "A mild report would be inconsistent with the government's position on competition."

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## Power costs likely to be reduced

By Michael Smith

BRITAIN'S largest companies should see reductions in record high electricity costs this autumn after a decision by the power industry to change the way prices are calculated.

The changes are likely to lead to falls of at least 1.5 to 3 per cent in prices of the electricity wholesale "pool", where power in England and Wales is traded, and could save some companies several million of pounds annually.

The moves follow a 20 per cent rise in pool prices since April.

They will be welcomed by the government and Prof Stephen Littlechild, the electricity regulator, who have been under intense pressure from large companies to act on prices or persuade electricity companies to do so.

Mrs Margaret Thompson, pool chief executive, said the changes were the first to emerge from a long term review. But the changes are unlikely to satisfy intensive energy users who have suffered significant price rises since electricity privatisation.

Most electricity consumers, including householders, will be affected by the pool changes only at the margins. Although their power is traded through the pool, they have been shielded from price changes by "hedging" contracts between electricity companies.

## Bad weather boosts overseas holiday sales

MR RICHARD Carrick, marketing director of Airtours, the package holiday group, has been delighted with the British weather this summer, writes Michael Skapinker. "We've had 32 consecutive days of rain in Manchester. That's marvellous for bookings," he said.

A combination of poor weather, rising consumer con-

fidence and weak Mediterranean currencies has produced a good high season for companies selling overseas holidays. This week sees the start of an industry campaign to ensure next summer is as successful.

Ms Rosemary Astles, marketing director of Thomson, the market leader, said Spain had increased its share of the UK

market from 33 per cent last summer to 37 per cent this year, aided by a weak peseta. Tomorrow Thomson launches its summer 1994 programme. The launch of the brochure has traditionally been seen as the opening move in a price war. Thomson is confident, however, that the industry has entered a more settled

period. Fierce price-cutting has not occurred this summer. Thomas Cook, the travel agents' owned by West-deutsche Landesbank and the German travel group LTU, said the poor UK weather has kept demand for overseas holidays high right up to the end of September and ensured companies can maintain prices.

## Lloyd's seeks approval for investor plan

By Richard Lapper

LLOYD'S OF LONDON is to ask Names to approve plans to introduce new corporate investors to the insurance market at a meeting (EGM), it announced yesterday.

The meeting, which will be held on 20 October, is designed to head off possible future EGM calls by dissident loss-making Names which could lead to delays in the entry of new "incorporated Names".

Mr David Rowland, chairman, said in a letter to Names - the individuals whose assets support the market - that Lloyd's wanted to "clear the way for new capital with certainty before the end of October."

Separately the Lloyd's committee - the market's governing body - will next month consider a rulebook outlining the terms on which corporate capital can participate in the market.

Lloyd's plans to attract corporate investors, announced in April, have excited considerable controversy at the market. Several investment schemes to bring corporate capital have been developed by UK and US banks but cannot go ahead until rules are approved.

Among the most advanced of these is Corporate Lloyd's Membership (CLM), an investment trust. Samuel Montagu (with James Capel), Salomon Brothers, SC Warburg, JP Morgan and Goldman Sachs.

## Bright spots lift gloom in tourism

Michael Skapinker sees signs of a recovery in a recession-hit sector

London and the Home Counties. But business from the US and continental Europe has been excellent.

At the other end of the country, Mr Cummings has had the opposite experience. Another of his properties, the Amberley Castle country hotel, in West Sussex, has enjoyed a 37 per cent increase in occupancy over the past three months, compared with the same time in 1992. Last week, occupancy was 95 per cent. Eighty per cent of the guests have been British. US business is slower than in the past.

Most tourism managers agree business is better this summer than last, although they have different views on how much better.

Mrs Jane Randall, tourism services officer for Stoke-on-Trent in central England, says inquiries at the local tourism information centre are running at 1,000 a day, compared with 500-600 last summer. But Mr

Patrick Roper, development director of the National Maritime Museum in Greenwich, south London, says the number of visitors this summer appears only slightly higher than last year.

The different experiences of UK tourist businesses partly reflect the uneven upturn. They also reflect the fragmented nature of the tourist industry; most companies are small and attract different types of visitors.

Some operate in markets protected from the effects of recession because their clients are so well off. Mr Hughes in St Andrews says US and continental European golfers tend to be wealthier than their UK counterparts.

"The British golfer tends to golf cheaply. On the continent you have to be well off because it's all private courses. In the US it also costs more to play golf than here."

Overseas golfers come to

## Little growth in new business

The economic recovery has not yet stimulated any growth in the number of business start-ups, according to National Westminster Bank.

The NatWest Quarterly Start-Up Index, published today, shows that about 90,000 companies began trading in the second quarter of 1993, compared to 95,000 in the first three months of the year and 100,000 in the second quarter of 1992. The total of 185,000 for the first six months of 1993 is the same as that for the second half of 1992.

Mrs Jane Bradford, NatWest head of small business services, said: "Although there are signs that recovery in the small business sector is under way, the recession has hit small firms hard and, as a result, they are still very cautious about future prospects."

## Russian trips suspended

Thomson, the UK market leader in holidays overseas, is suspending trips to Russia because of an outbreak of diphtheria there. All the company's city-breaks to Moscow and St Petersburg are being cancelled from the start of next month and fares are being refunded.

Passengers due to travel this month are being offered refunds. They are being told that they should be inoculated if they decide to go. The company said hundreds of customers would be affected.

The Department of Health last month told travellers to Russia to ensure they were vaccinated against the disease.

## Export officials to strike

Government officials at the Export Credit Guarantee Department's main office in Docklands, London, will take strike action today in protest at a consultants' report recommending staff reductions.

The CPSA, which will be taking action along with NUCPS, the other main civil service union, said the government still believed there were too many support staff working at the ECGD, which provides export assistance.

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"On September 18 you can join us at the first tee."

For that's the day The London Golf Club opens. And for Joe Paulin, Robert Williams and Paul Foston it means the preparation is over as one of the world's great golf clubs opens its doors.

For Joe, the Course Manager, it means that his greens, lovingly tended, his fairways immaculately mowed (and even the rough) will play host to the founder members.

To Robert, the Club's General Manager, it means that the 36,000 square foot clubhouse will open its doors for those who seek the finest in comfort, food and facilities but crave after an informality seldom seen in so luxurious a club.

And as for Paul, the Club's pro, and one of Britain's finest teachers, September 18 means that he can start battle in earnest with the swings



Joe Paulin, Robert Williams and Paul Foston

of complete beginners ... as well as Ryder Cup stars. He has a 330 yard practice ground to work on with tees at both ends so that pupils can have lessons at one end while some drive from the other.

Note September 18 - the opening of one of the world's great golf clubs and the day that Joe, Robert and Paul tee off in earnest.

Founder Memberships must close on September 17. For further information and to arrange your visit around the Club, just 'phone 0474 854466 or fax 0474 854798.

Alternatively just pop your business card in an envelope and post it to: The Membership Secretary (FT2), The London Golf Club, South Ash Manor Estate, Stansted Lane, Ash, Nr. Sevenoaks, Kent TN15 7EN.



Opens September 18

Honorary Club Captain: Jack Nicklaus. Honorary Members: The Rt. Hon. Lord Dunsley MC, Sir Paul Gilman, The Rt. Hon. Lord Price, Sir Denis Thatcher Bt, The Rt. Hon. Lord Young of Grafton.



## THE WEEK AHEAD

## ECONOMICS

## Indicators prompt market focus on inflation in UK and Germany

THE FLOW OF UK official statistics continues this week with the latest figures for retail sales, retail price inflation and the public sector borrowing requirement.

Economists are expecting a fall in July retail sales as a correction to the inflated June figure, which was pushed up by early summer sales.

Price discounts in the high streets were also one of the factors pushing the June inflation rate down to 1.2 per cent. City economists are forecasting that it notched back up to 1.5 per cent in July, partly as a bounce back from June, but also because of certain other factors such as the ending of British Telecom's special offer on cheap rate local calls.

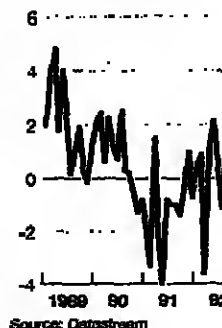
None the less, prices for seasonal food usually fall sharply in July and continuing summer sales will help keep prices low for clothing, footwear and household goods.

Most economists are confident that underlying inflation - the RPI excluding mortgage interest payments - will remain within the government's target range of between 1 per cent and 4 per cent for the rest of this year, although they expect it to have crept upwards in July.

This week also sees the release of west Germany's July producer prices which are expected to have stayed

UK retail sales

Volume, annual % change



Source: Datastream

broadly flat, with inflationary pressures at the producer level very weak. However, M3 - also due this week - will show that the story at a consumer level is quite the opposite with prices still stubbornly high. June's annualised growth was 7 per cent. It is expected to have risen to 8 per cent in July.

Today, French and Belgian markets closed for holiday. Finland, July CPI (up 2.2 per cent on year), US July industrial production (up 0.4 per cent), capacity utilisation (81.4 per cent), Japan, June industrial production, shipments.

Tomorrow, UK, July PSBR (£1.9bn), Sweden, July CPI (down 0.2 per cent on month, up 4.6 per cent on year), US, July housing starts (1.35m), building permits, Johnson Redbook week ended August 14;

FOMC meeting in Washington. Canada, June building permits (up 2.8 per cent on month); July advance store sales (down 1.3 per cent on year). Japan, July money supply, broad liquidity. Australia, government budget handed down.

Wednesday, UK, July retail prices index (down 0.1 per cent on month, up 1.5 per cent on year), excluding mortgage interest payments (up 3 per cent on year); July retail sales (down 0.3 per cent on month, up 4.6 per cent on year). Sweden, July trade balance (\$K5.6bn). Canada, June manufacturing new orders (up 0.8 per cent on month), manufacturing shipments (up 0.4 per cent on month). Japan, June workers' PCE and workers' income.

Thursday, UK, July M4 (up 0.5 per cent on month, up 3.2 per cent on year), M4 lending (up £2.2bn); July building society net new commitments (up £3.2bn); revised Q2 GDP figures (up 0.5 per cent on quarter, up 1.5 per cent on year); National Institute publishes quarterly economic review. France, June industrial production (down 0.1 per cent), Sweden, July unemployment rate (9.5 per cent), US, June merchandise trade (\$8.8bn deficit), exports (\$69bn), imports (\$75bn); initial claims week ended August 14 (\$35,000); state benefits week ended August 7; August Philadelphia Fed index; money sup-

ply data for week ended August 9; annual Kentucky Fed conference - Greenspan and Tietzeyer scheduled to speak. Canada, June merchandise exports (up 1.5 per cent on month), merchandise imports (down 0.4 per cent on month), merchandise trade surplus (\$1bn). Australia, Reserve Bank of Australia releases 1992-93 annual report.

Friday, UK, July non-EC trade (£700m deficit). US, FOMC minutes from meeting on 6/7 July released; July Treasury budget (\$40bn). Canada, July CPI (up 0.2 per cent on month, up 1.6 per cent on year), excluding food and energy (up 1.6 per cent on year).

During the week, Germany, July PPI (up 0.1 per cent on month, down 0.3 per cent on year); July M3 from Q4 base (up 8 per cent). Netherlands, July unemployment rate (5.2 per cent). Italy, June WPI (up 5.1 per cent on year); June PPI (up 4 per cent on year); July M2 (up 5.6 per cent on year), July bank lending (up 4 per cent on year). Denmark, July CPI (down 0.2 per cent on month, up 1.2 per cent on year). Switzerland, July trade balance (\$874m surplus). Australia, Reserve Bank of Australia August bulletin released.

Emma Tucker

## UK COMPANIES

**TODAY**  
COMPANY MEETINGS:  
Tams (John), North Stafford Hotel, Stoke-on-Trent, 12.00  
BOARD MEETINGS:  
Finals:  
Heston Group  
Heath (Samuel)  
Headline Brewery  
Interim:  
Alliance Tst.  
GT Chile Growth Fd.  
LGW  
Seacon  
Telcare  
US Smaller Co's Inv. Tst.

**WEDNESDAY**  
AUGUST 18  
COMPANY MEETINGS:  
Banner Homes, The Chequers Inn, Kilm Lane, Woodburn Green, Bucks., 10.30  
Bristol Foods, 79 New Cavendish Street, W., 10.30  
Scantronic Hldgs., The Farmers & Fletchers Hall, 3 Cloth Street, E.C., 12.00  
Wishaw, The Tower Thistle Hotel, Katherine's Way, E., 11.30  
BOARD MEETINGS:  
Interim:  
Britannic Assurance  
Broadacast  
City Centre Restaurants  
Dunedin Inc. Growth Inv. Tst.  
M & G Income Inv. Tst.

**TOMORROW**  
COMPANY MEETINGS:  
Walker & Staff Hldgs., Walker House, Boundary Street, E.C., 3.00  
BOARD MEETINGS:  
Finals:  
Bucknell  
Edwin  
Evans Halshaw  
Impala Platinum  
Stonehill  
Interim:  
BICC  
De Beers Cons. Mines

De Beers Centenary  
Fife Indmar  
Flaming Mercantile Inv. Tst.  
Kalon  
Marley  
Sedgwick  
Sherwood Computer Services

**THURSDAY**  
AUGUST 19  
COMPANY MEETINGS:  
Avesco, Venture House, Davis Road, Chessington, Surrey, 11.00  
Bromsgrove Inds., Natl. Motorcycle Museum, Coventry Road, Bickenhill, Solihull, West Midlands, 12.00  
Burtonwood Brewery, Rake Hall Hotel, Rake Lane, Little Stanney, Chester, 12.00  
Cook (Wm.), Parkway Avenue, Sheffield, 12.00  
Kembrey, Crown House, 56-58 Southwark Street, S.E., 12.15  
Southern Water, Dome Theatre, Church Street, Brighton, East Sussex, 11.00  
Visteo, The Midland Hotel, Derby, 1.00  
BOARD MEETINGS:  
Finals:  
Bristol Channel Ship

**FRIDAY**  
AUGUST 20  
COMPANY MEETINGS:  
Fuller, Smith & Turner, Griffin Brewery, Chiswick, 11.00  
Hartstone, Hartwell House, Oxford Road, Bucks., 3.00  
BOARD MEETINGS:  
Finals:  
Raglan Property Tst.  
Interim:  
Jordan (Thomas)

County Smaller Co's Inv. Tst.  
Interim:  
ASEA  
Dawsongroup  
Ericsson (L. M.)  
Wickes  
Willis Corroon

**FRIDAY**  
AUGUST 20  
COMPANY MEETINGS:  
Fuller, Smith & Turner, Griffin Brewery, Chiswick, 11.00  
Hartstone, Hartwell House, Oxford Road, Bucks., 3.00  
BOARD MEETINGS:  
Finals:  
Raglan Property Tst.  
Interim:  
Jordan (Thomas)

Company meetings are annual general meetings unless otherwise stated.  
Please note: Reports and accounts are not normally available until approximately six weeks after the board meeting to approve the preliminary results.

## DIVIDEND &amp; INTEREST PAYMENTS

**TODAY**  
Allied-Lyons \$0.27  
Anglo American Inv. Tst. 6% R.O.  
Aon Corp. \$0.38  
API Group 3.85% Cn. Pl. 1.125p  
British Steel 1p  
Danka Business Systems 3p  
Eurofins 6 1/4% Nts. 1995  
Eucres  
Feedback 1.5p  
Maris & Spencer \$0.6858  
Marsh & McLennan Inc. \$0.675  
M & G Dual Tst 30.55p  
Mountview Estates 12p  
National Westminster Bk. Prm. Cap. Flt. Rate \$182.26  
Queensland Treasury 10 1/4% Gtd. Bds. '95 \$512.5  
Sainsbury (J) \$0.138  
Sanyo Electric Flt. Rate '97 £230.866  
Scottish Metro, Prop. 0.4p  
Sharp Int. Finance Gtd Step '94 \$520.000  
Do. 7 1/4% Gtd Nts 1994  
Shelton (Martin) 1.5p  
State Bk. Of New Sth. Wales  
Extenible Flt. Rate '98 \$180.89  
Uberior Inv. 14 1/4% Sub. Gtd. 2000 \$A371.875  
Unigate \$0.197  
United Kingdom 2 1/4% Index-Linked Treasury '13

£1.9506  
Whitbread \$1.255  
**TOMORROW**  
Coutts \$0.196  
Copper (James) 2.125p  
Eversheds Flt. Rate Nts. 2000 \$25.14  
National & Provincial Bldg. Soc. Flt. Rate '99 £157.80  
Vesper Thymocraft 11.1p

**WEDNESDAY**  
AUGUST 18  
Bradford & Bingley Bldg. Soc. Collard Flt. Rate '03 \$352.02  
Britannia Bldg. Soc. Flt. Rate. \$156.90  
Chase Manhattan Flt. Rate Sub. 2000 \$127.78  
Cigna Overseas Finance 12 1/4% '93 £123.75  
Credit Foncier de France 10 1/4% Gtd. 11/14 £212.50  
EFP Flt. Rate Sub. 2p  
Frank Chicago Flt. Rate Sub. Cap. '97 \$134.17  
Forte 10% Mort. Deb. '18 25  
General Motors Acceptance (Canada) 8 1/4% '94 ECU87.5  
Investment Company 1p  
Leeds Permanent Bldg. Soc. Flt. Rate '03 £34.71  
Lloyds Bank Var. Rate, Sub. '98 £170.14  
Midland Bk. Sub. Flt. Rate £78.45

**THURSDAY**  
AUGUST 19  
Archer (A. J.) 0.5p  
Daido Steel 4.8% 1997  
Y128,000  
Norsk Hydro AS 8% 1993  
FF800

**FRIDAY**  
AUGUST 20  
Anglovaal R.O.5  
Bankamerica \$0.35  
BTP 6.05p  
Burtonwood Brewery 3.98p  
Caterpillar Inc \$0.15  
Fuller Smith & Turner 5p  
Hunters Armey 1.25p  
Malaysian Mining M80.03  
Melville Street Inv. 2.5p  
M & W 1.1p  
Pittington 1.07p  
Rothmans Int. 7.5p  
Tayco (John) 2.41p  
Tome Co. Y82.636.86  
Wellmair 0.8p  
Wells Fargo & Co. \$0.50  
Zandpan Gold Mining R0.105

National Westminster Bk. Var. Rate £171.71  
Vodafone Group 3.53p  
Wells Fargo Flt. Rate Sub. Cap. '98 \$86.25  
Woodwick Bldg. Soc. Flt. Rate '94 £167.53

**SATURDAY**  
AUGUST 21  
United Kingdom 10 1/4% Exchequer Stk. '97 £5.25

**SUNDAY**  
AUGUST 22  
NFC 7 1/4% Conv. Bds. 2007 £38.75  
TSB Offshore Inv. Fund Gilt & Fixed Int. 2.915p  
Do. Sterling deposit 1.312p  
Y128,000  
United Kingdom 12 1/4% Exchequer Stk. 1994 £6.25

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## RESULTS DUE

The UK's two biggest insurance brokers, Sedgwick and Willis Corroon are expected to post pre-tax profits roughly the same level as last year when they report interim results.

Sedgwick, reporting tomorrow is expected to register pre-tax profits of between \$48m to \$58m (compared with \$51.7m last year), while Willis, which reports on Thursday, is expected to make between \$58m and \$63m (\$56.7m).

Both brokers are universally expected to maintain dividend rates, 3p for Sedgwick and a

second quarterly dividend of 1.65p for Willis. Difficulties in the US market, which remains competitive, are one of the main factors holding back further improvement.

Meanwhile Argos, the catalogue retailer, is expected to benefit from the elimination of losses from the ill-fated Chesterman furniture business when it reports its interim results today.

Pre-tax profits of between \$12m and \$14m are expected against \$9.5m last time. However the main focus of attention will be on current trading

to see whether the post-Christmas pick-up is continuing.

Hanson, the Anglo-US conglomerate, is tomorrow expected to announce pre-tax profits of between \$240m to \$260m for the third quarter. This compares with \$24m in the comparative year-ago period.

The group has been adversely affected by the strike at Peabody Coal in the US, which has cost it around \$30m. However, the stronger dollar is expected to benefit it by a similar amount since more than half its profits are generated in North America.

BICC, the cables and construction group, is expected to report a fall in half year profits, from \$58m to around \$53m, on Wednesday. The company has suffered from the longevity of the UK recession, which has affected most of its markets.

On Thursday, Wickes, the do-it-yourself group, is expected to show a 35 per cent improvement to about £3.5m when it reports interim results. The growth is likely to be the result of lower losses in its Hunter timber business, and some advance in the UK DIY retail chain.



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WORKS GODAR-E-LANDAR HYDROELECTRIC  
POWER PROJECT

Iran Water & Power Resources Development Company (IWPC) requires applicants supply information for prequalification of Lot 1 Main Civil Works of the 4 x 250 MW Godar-e-Landar Hydroelectric Power Project in the Khuzestan Province of the Islamic Republic of Iran.

The Project Site is located at about 160 km distance from Ahwaz, the centre of the province.

The principal works for the Lot 1 Main Civil Works are as follows:

- 164m - high rockfill dam with 480m crest length
- Spillway, 72.5m chute width and 390m chute length
- Two power intakes
- Two pressure shafts, 8.5m/7.5m inside diameter, 230m (left) and 275m (right) length
- Underground powerhouse cavern, 151m length, 30m width and 47.5m height
- Underground transformer cavern, 115m length, 15m width and 23.5m height
- Two tailrace tunnel, 10m inside diameter, 235m (left) and 300m (right) length
- Two downstream surge chamber, 22.5m diameter, 50m height

Prequalification Documents can be obtained upon cash payment of a non refundable amount of 200,000 Rls.

The foreign currency element of the Lot 1 Main Civil Works is financed by The Overseas Economic Cooperation Fund of Japan (OECP). Since August 16, 1993, Prequalification Document may be obtained personally by applicants or their authorized representatives at the following address, and complete prequalification application should be submitted before 12:00 hours noon on Wednesday, September 15, 1993 at the following address:

Iran Water & Power Resources Development Company  
212 Ostad Nejatollahi Ave,  
Tehran, Iran

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appears in the Financial Times every Monday.

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## CONFERENCES &amp; EXHIBITIONS

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**OCTOBER 4 - NOVEMBER 22**  
FT - City Course  
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Enquiries: Financial Times  
Tel: 071-814 9770  
Fax: 071-873 3975/3969

**OCTOBER 12 & 13**  
Retailing in the 90s  
The aim of the meeting is to provide a high-level forum to review the opportunities and challenges facing the industry, consider partnerships and customer needs as well as performance and profitability.  
Enquiries:  
Financial Times  
Tel: 071-814 9770  
Fax: 071-873 3975/3969

**OCTOBER 14**  
City of London Derivatives Conference  
To be opened by Dr Henry Kaufman this Cityforum conference covers the markets, their regulation, monitoring their benefits and controlling the risks. Central Banking and The Centre for the Study of Financial Innovation, Swiss Bank Corp, Arthur Andersen and Profitability sponsor.  
Information:  
Marc Lee, Cityforum Ltd.  
Tel: 0225-44293  
LONDON

**OCTOBER 20**  
Manufacturing Matters  
To raise the voice of manufacturing and examine the options for industry before the new Budget. Speakers: Rt Hon John Smith MP, Neil Johnson, Howard Davies, Ian Gibson, Bill Jordan, Sir Allister Morton, Pauline Kew, Dr Ken Edwards.  
OBSIDIAN Communications  
Information:  
Julia Holborn Associates  
Tel: 071 267 2545

**NOVEMBER 18 & 17**  
World Electricity  
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Enquiries: Financial Times  
Tel: 071-814 9770  
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**NOVEMBER 22 & 23**  
The Fifth FT  
Petrochemicals Conference  
The aim of this year's meeting is to provide a high-level forum to discuss the challenges currently facing the petrochemical industry and examine developments in key markets.  
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Tel: 202/797-6035  
Contact: Mike Tapp  
WASHINGTON, D.C.

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Intelligence Europe 1993  
The third European Conference and Exhibition on Multimedia and CD-ROM, takes place in Wiesbaden, Germany. For more information, please contact: Reed Exhibitions Company, Reed Centre, 100 Brooklands Avenue, Weybridge, Surrey, Middlesex TW20 2EX.  
Tel: +44 (0) 211 550221  
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**SEPT 29/30 & OCT 1**  
The Health of Nations 1993  
Health of Nations, Diet, Cost & Efficiency on policy issues and impact on medicine, medicine and investment. James Watson, RSC, RSC and Lady Catherine address this international conference sponsored by The Wall Street Journal Europe, medical, pharmaceutical, health care, food, chemicals and biotech.  
Information: Symposium Ltd.  
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Black Sea-Siberia Conference & Business Forum  
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Tel: +44 (0) 71 384 5222  
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EUROAD '93 Conference  
European Community Aid for Development  
A44 Programme opportunities for EC countries (40 billion ECU by 1999) in Africa, Caribbean, Pacific, Asia, Latin America, Mediterranean, Central & Eastern Europe and CIS. Contact: Societe Generale de Developpement S.A.  
Tel: +32 2 512 4636  
Fax: +32 2 512 4633

**OCTOBER 14-18**  
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International exhibition of broadcasting and telecommunications equipment. Reserved for trade only.  
For further information, contact: Piers Milano, Largo Donatocavola 1, 20145 Milan, Tel: (39 2) 49971, Fax: (39 2) 49971719 or in the UK: OTSA Ltd.  
Tel: 071 486 1951

**OCTOBER 15-18**  
64th MIPEL  
International exhibition of leather goods, footwear, garments '94 collections. Reserved for trade only.  
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**OCTOBER 16-18**  
22nd INTERSAN  
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53rd CICLO & MOTOCICLO  
International exhibition of bicycles and motorcycles. Open to trade and the general public.  
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International exhibition of equipment, services, products and accessories for laundry, tanning and cleaning of textiles. Reserved for trade only. For further information, contact: Piers Milano, Largo Donatocavola 1, 20145 Milan, Tel: (39 2) 49971, Fax: (39 2) 49971719 or in the UK: OTSA Ltd.  
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## MANAGEMENT

When Donna Cunningham, media relations manager for Bell Labs, goes to work in the morning, she simply walks from the kitchen of her house, deep in the woods of Vermont, to a small room she uses as her office.

Headquarters is a six-hour drive away in New Jersey, but Cunningham says she keeps in touch easily through a host of technologies from electronic mail to video conferencing.

"I get a tremendous amount of work done," says Cunningham. "The biggest distraction I might have here is if a deer happens to pass by my window." Cunningham is part of a growing trend in the US which is not only allowing, but actively encouraging, employees to work outside the office. A distance of six hours is still more than most employers are willing to put up with, but the traditional notion of an office as a place workers must report to every day is giving way to a far more flexible approach.

Home offices are just part of the new trend. Companies are making heavy use of telecommuting, a policy which allows employees to go to the office one or two days a week and spend the rest of the time with clients or working at home. Several groups have also pioneered the concept of "hotelling", a systemised policy of office-sharing for workers who spend a small portion of their time at the office.

Companies have been experimenting with the concept of working from home and telecommuting for more than a decade. However, over the past few years several groups have formalised the approach, incorporating large numbers of employees into the plan.

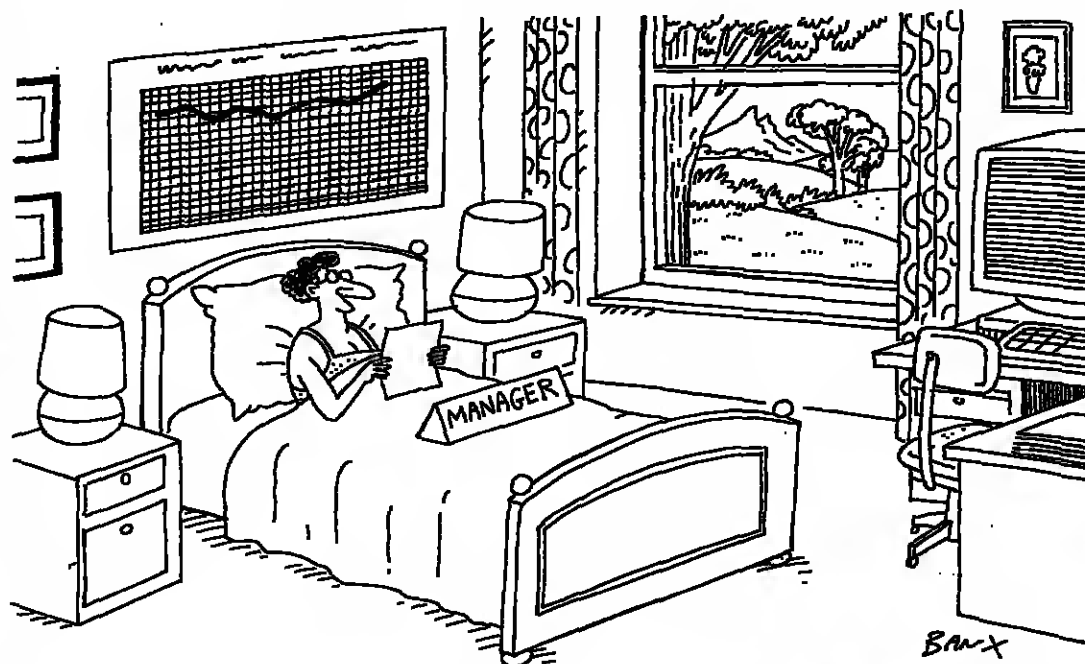
"We've been practising telecommuting informally for years, but now we've adopted it as a formal policy," says Susan Sears, district manager of AT&T in Phoenix, Arizona.

One management consultant firm, Buck Consultants, estimates that between 10 and 20 per cent of the US workforce will spend a significant amount of time working at home by the end of the century.

The concept, companies say, is working well. According to an AT&T survey, 83 per cent of the 45 employees involved in a pilot telecommuting programme in Phoenix for the past few years said they had increased their productivity, and 80 per cent of their supervisors agreed. International Business Machines also noted an increase in productivity following the implementation of telecommuting programmes a few years ago. Today, more than one third of the IBM workforce does some portion of their work at home.

Employers are adopting a far more flexible approach to traditional working practices, writes Victoria Griffith

## Home is where the office is



A number of large US firms, including IBM, AT&T, Ernst & Young, Arthur Andersen and Dun & Bradstreet, say they are adopting the telecommuting concept as a key management strategy.

"We certainly plan to expand the programme," says Michael Bell, director of corporate real estate at Dun & Bradstreet. "It's been a tremendous success."

Employers say workers under telecommuting and work-at-home programmes are more efficient because they have fewer distractions and waste far less time commuting.

Russell Thomas, a specialist on telecommuting with AT&T says: "Before we adopted telecommuting we had situations that people would drive one and a half hours to the office, stay for a few hours, drive an hour to visit a client, come back to the office, then leave for the day. Obviously, there was a big loss in productivity going on." In response, AT&T launched the concept of the "virtual office", a mobile office, complete with laptop computer and

fax, which the employee could use in a hotel, branch office, or at home. A number of factors are adding to the telecommuting impetus. One of the most important is the Clean Air Act, which by 1996 will force many companies in the US to cut the number of miles driven by single-car commuters by 25 per cent. The aim of the new law is to reduce vehicle pollution in the smog-ridden metropolitan areas.

Kenneth Maikiewicz, a transportation consultant with Raymond Keyes Consultants, says: "Companies will use telecommuting as one important way of reducing vehicle trips."

Improvements in technology are also fueling the trend. "Technology is the key to making all this work," says Michael Thompson, operations and facilities director at Ernst & Young. "We give people faxes, notebook computers, everything they need to work outside the office."

With technologies such as cellular telephones and electronic mail, moving into widespread use,

companies predict telecommuting will become easier. Improved computer data access will also play an important role. "We are giving employees the capability of accessing all company files from a home computer," says Thompson. "It will make telecommuting even more efficient."

Increasing cost-consciousness has also encouraged companies to consider telecommuting as a formal strategy. "When the economy was booming," says Thompson, "companies didn't care as much about real estate costs. But that's become a real issue now."

Dun & Bradstreet Software cut real estate expenses by 30 per cent through the use of telecommuting, even after buying high-technology home equipment for workers, according to Jennifer Oden, director of real estate and services at the group.

Ernst & Young, in its Chicago office, has adopted a strategy of employee expansion with no added

space. A year ago, the firm pioneered the concept of "hotelling", a sophisticated office-sharing plan, to help it meet its cost-cutting goals. Under "hotelling", employees who spend a lot of time with clients - including auditors and management consultants - are not assigned a permanent desk. They are expected to spend most of their time outside the office, and when they plan a visit, they must call to reserve a place.

On the day an employee is expected in the office, all calls are automatically forwarded to that extension, and the information appears on a computerised "staff locator system" to help colleagues find co-workers. A small staff of "hotelling managers" makes sure the employee's nameplate is placed on the door and will even put family photos on the desk to make the employee feel at home.

Of course, telecommuting does pose some disadvantages to both worker and supervisors. Ernst & Young complains of workers with a strong territorial instinct, who try to take exclusive hold of a temporary office.

Employees sometimes worry about their chances of promotion if they are out of the office for long periods of time. "It would be extremely difficult for me to move up in the company," says Cunningham of Bell Labs. "But I accepted that when I agreed to work at home."

Other workers may have unrealistic ideas about the benefits of telecommuting. "You have to screen workers carefully before you put them into a programme like this," says Charles Rodgers, president of Rodgers & Associates, a management consultancy specialising in telecommuting issues.

"Some mistakenly believe that this will be a solution to their child-care problems. Others might miss the stimulation of conversing with co-workers and still others may not have the self-motivation to make this work."

The biggest obstacle to a successful telecommuting programme, though, may be the resistance of management. "A lot of supervisors are uncomfortable with this arrangement," says Rodgers. "Many managers have the idea that visibility equals productivity. They feel if they can't see the work being done, it isn't getting done."

Despite some resistance on the part of employees and supervisors, companies say the concept works well. "It improves productivity, helps us address environmental issues and cuts down on real estate costs," says Ann Riley, project leader for work life programmes at IBM.

"It is an extremely successful programme which we will certainly take as far as we can."

## Taking stock of windfalls

Executive share options face closer scrutiny, says Lucy Kellaway

The days when directors of badly performing companies could enjoy windfall gains from exercising their executive share options are over. Last month's joint announcement from Britain's largest investor bodies has put a stop to that: from now on any scheme that does not relate the exercise of share options to the company's performance may find itself struck out by shareholders.

The long-awaited recommendation from the Association of British Insurers and the National Association of Pension Funds has left companies alternately gasping and scratching their heads. Most objected vigorously to any idea that their schemes should be tied to performance and many wrote to the NAIF last year to complain when it asked them for their opinions. They must now accept that their battle is lost.

At the same time as protesting against any performance-linked schemes, companies pleaded for flexibility. In this their pleas have been answered. The guidelines do not refer to any particular measure of performance, but simply state there should be "significant and sustained improvement in underlying financial performance". However, the vagueness of this recommendation has left them in the dark. What sort of performance link will be acceptable?

The question is of pressing interest to companies as most of their 10-year schemes came up for renewal next year. For the new schemes to win shareholders' approval, they must not only be linked to performance, but must have been drawn up by the company's independent remuneration committee and the guidelines must be published in the annual report.

According to Mark Anderson of New Bridge Street Consultants, executive pay experts, companies are feeling in need of guidance on how stringent the performance targets should be. But the investor bodies - which have taken almost a year to agree on the recommendation - seem in no mood to lay down more precise guidelines.

"Our message is that whatever your remuneration committee recommends is the most appropriate measure. If the committee can't come up with a reasonable measure there are 101 consultants out there who would be only too happy to find them one," says John Rogers from the NAIF.

So which measures will companies choose? Perhaps the simplest is that initially proposed by the NAIF: relative share-price performance. It suggested that directors should be allowed to exercise share options only if their shares out-performed the market index, or a sub-index over a given period.

The main alternative is to use profit-related measures, originally preferred by the ABI. Both yardsticks have weaknesses, share prices can be inflated by bid pressure and reflect future as well as past performance. Profit measures on the other hand have been complicated by new accounting rules which make earnings more volatile.

Once the measure has been selected how stringent should the target be? Is any out-performance of the share price enough? Should earnings be in the top quartile of the industry group, or is it enough merely for them to rise faster than inflation.

These are issues that each remuneration committee will have to decide and it will be a delicate balancing act. "You don't want something so difficult that the options will never kick in, but you don't want something so easy that it is a joke," says Hugh Jones from the Prudential. He argues that to strike the balance should not be too difficult after all there is an element of judgment in all business decisions and this one is no exception.

Shareholders hope the discipline of having to disclose the basis for the schemes will concentrate the minds of companies. Moreover, the non-executive directors who sit on remuneration committees will have the sobering thought that if they nod through schemes that are too generous, they might find themselves out of a job when reselection time comes round again.

## CONSTRUCTION CONTRACTS

### £50m work for Tilbury Douglas

TILBURY DOUGLAS CONSTRUCTION has been awarded a series of orders together worth £50m. The largest is a contract awarded by John Lewis to build a chilled distribution depot for Waitrose at Bracknell. The contract is being carried out by the south east regional office based in Chiswick. Work on a 60m warehouse in Essex is also under way.

In the Midlands Tilbury Douglas has won contracts in the public sector to refurbish a wing at Winslow Green Prison, to build a care centre in Quinton for South Birmingham Health Authority, to extend the social studies facility at the University of Warwick, and to re-roof buildings at Donnington for the MOD.

The north east regional office won six orders in July with a value of over £5m. They include a new headquarters for the Darlington Building Society in Darlington; two factory units for English Estates at Goldthorpe, Barnsley and Seaham Crange; and the refurbishment of the students union building for the University of Newcastle upon Tyne.

### Energy saving

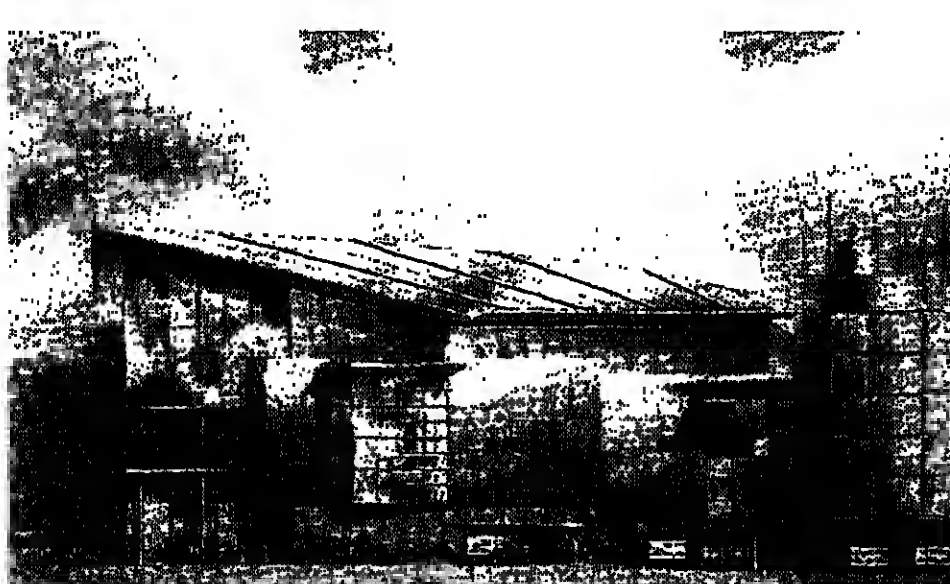
Anglia Polytechnic University is to receive funding from the European Community under the THERMIE project, a five-year European Community programme to promote the design and use of new energy saving technology.

The successful bid is in respect of innovative energy efficient elements incorporated into the design of Anglia's Learning Resource Centre, the first phase of the new university campus in Chelmsford. The £4.9m centre, which is to be built by WIMPEY CONSTRUCTION, is due for completion in summer 1994.

The building will incorporate design concepts to reduce energy costs by up to 50 per cent and will obviate the need for an air conditioning system by use of stack ventilation towers to improve through ventilation.

Good daylighting is another key element and will be enhanced by windows with light shelves to reflect light deeper into the building.

### International concert hall



An artist's impression of the new international concert hall building planned for Manchester

LAING NORTH WEST has been appointed to build Manchester's international concert hall, the new home for the Hallé. Work is due to start on site today with completion scheduled for February 1996.

The total cost of the project will be around £42m. The company's bid for the main building contract was accepted by the partners in the venture, Manchester City Council and Central Manchester Develop-

ment Corporation, who are jointly funding the project with the aid of a 40 per cent grant from the European Regional Development Fund.

Laing North West won the contract in competition with four other large construction companies, shortlisted from 30 leading companies who expressed an interest in the project.

Preparation work has been completed by P Casey (Civil

Engineering), which has removed 26,000 tonnes of soil to make way for the concert hall. It has also put in the foundations for the building, including more than 150 reinforced concrete columns.

One of Laing's first jobs on site will be to install vibration isolation bearings on to the columns - literally creating a foundation of springs - to isolate the hall from passing traffic, including Metrolink trams.

Preparation work has been completed by P Casey (Civil

### Handling China's grain

The World Bank has appointed LG MOUCHEL & PARTNERS as chief adviser to the Chinese Ministry of Domestic Trade in a large investment programme to improve the efficiency of China's domestic and international grain management.

A network of modern storage installations will be constructed including local primary depots servicing a number of farms, intermediate depots at strategic railheads and installations of up to 300,000 tonnes capacity at a number of deepwater ports.

The storage installations will be equipped with appropriate aeration and drying facilities to conserve the grain and bulk handling methods for grain will be introduced to replace the traditional bagged handling methods.

At the port locations, modern high capacity bulk ship loading and unloading berths will allow the transport of grain by large bulk grain carriers which can transport their cargo to large population centres in China or to overseas markets.

### Transit system

ACER MUHENDISLIK MUSA-VIRLIK has been appointed to carry out project supervision and consulting services for Phase 1 of the Ankara Mass Transit System.

Known locally as ANKARA RAY, the Ankara Mass Transit System began in August 1992 when Phase 1 was commissioned.

A consortium made up of Siemens (Germany), AEG Westinghouse (Germany), BREDA (Italy), Bayindir-Yuksel JV (Turkey) and SİLO (Turkey) was awarded the commission by the Municipality of Greater Ankara, under a contract consisting of design, construction and trial operation.

Acting as sub-consultants to the principal consultant TEMAT, Acer will carry out project supervision and consulting services during construction, commissioning and trial operation periods. Acer will also conduct an intensive review of the design and advise on any problem areas.

## PEOPLE

### NatWest Markets combines its IT

NatWest Markets has brought Thomas Herlich, previously managing director for global trading technology at Bankers Trust, into a new role as director of information technology. The corporate and investment banking arm of National Westminster Bank has been formed out of many constituent parts, including County NatWest and NatWest's treasury department, hence also throwing together many different types of system.

There were also three separate technology heads - variously looking after the front

office, back office, and data and telecommunications. Now those three heads report to Herlich, whose task it is to co-ordinate and develop the group's IT capabilities in London and abroad.

"I was very, agreeably surprised as to how much importance NatWest's senior management attaches to technology," says Herlich, who adds that the areas particularly targeted for systems development are equities, capital markets and treasury. Herlich, of Polish extraction, had been in Scotland, has

degrees in operational research and management science.

He has spent the past 16 years at Bankers Trust, partly in London, partly in New York. Bankers Trust's front office trading system REMOS, which has been sold on to a number of other banks, was Herlich's brainchild, first developed for foreign exchange in 1983.

He had been at the US investment bank's headquarters since 1991, but wanted to return to the UK, since he was regularly commuting across the Atlantic to see his wife who had stayed in London.

### Bodies politic

Margaret Harrington, acting director of the Invest in Britain Campaign and a founder member of the Women's Farming Union, has been appointed chairman of the HORTICULTURAL DEVELOPMENT COUNCIL.

Robin Pinnbridge, chairman and CEO of Gold Fields of South Africa, has been elected chairman of the WORLD GOLD COUNCIL.

Mark Brockbank, group managing underwriter, The Brockbank Group, Lloyds, and Stephen Redmond, group marine underwriter, Eagle Star Insurance, have been elected chairman and deputy chairman, respectively, of the JOINT LOSS COMMITTEE.

Ian Cunningham, formerly chief executive of Roffey Park Management Institute, has been appointed chairman of the newly-formed CENTRE FOR THE STUDY OF

### CHANGE

Peter Morris, special projects director at Bovis, has been appointed chairman of THE ASSOCIATION OF PROJECT MANAGERS.

Nicholas Butler, chairman and MD of Cresting & Thompson, has been invested as president of the BRITISH PRINTING INDUSTRIES FEDERATION.

Tina Webb, formerly MD of Coe's, a process contracting division, has been appointed director of engineering at BRITISH WATERWAYS.

Pamela Edwards, a director of East Midlands Electricity (Generation), has been elected vice-president of the INSTITUTION OF MECHANICAL ENGINEERS.

Jeffrey Edwards, senior partner of Nabarro Nathanson, has been appointed to chair the CENTRAL COUNCIL FOR EDUCATION AND TRAINING IN SOCIAL WORK; he replaces Berriek Saul.

### Mill quits NCR

NCR, one of the top five US computer giants, has lost its UK chairman Patrick Mill, after "personal disagreements" between him and the group's European head Joe Stephan.

The new UK chairman is Philip Mantle, 43, who has spent the past 25 years working for NCR across the world. He is currently managing director of the company's business in Turkey, having previously held posts in Latin America, the Middle East and Africa.

NCR's parent, the US telecoms giant AT&T, is currently battling for a license to operate in the UK. If it succeeds, NCR's UK sales and marketing team of 1,900 could come in useful.

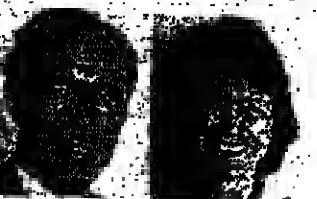
NCR also has two manufacturing plants in the UK, employing 2,300 between them. But both are managed directly from the US and will not be part of Mantle's remit.

### Change of direction at EIU

Nico Colchester, deputy editor of The Economist, who failed to secure the top job earlier in the year, is moving to the Economist Intelligence Unit at the end of this month as editorial director.

At the same time, Helen Alexander, previously international circulation director of the Economist, becomes managing director of the EIU.

"I had long thought that it was rather an attractive job - not that I didn't already have a pretty attractive job," says Colchester. Ironically, Bill Emmott, who beat Colchester to the editor's seat in what the latter refers to as "that fateful selection process", had



Helen Alexander, managing director of the EIU

economic cycle". He also put his name forward for the EIU.

Now he is pleased to be running his own show - one with a turnover of £25m, compared with £87m at The Economist. He also thinks that "there is a lot of scope for enhancing the public image of the EIU. It has rather hidden its light under a bushel, not having had much of a front man."

Alexander, who is understood to have turned down a highly lucrative outside offer to accept the EIU position, joined The Economist in 1985. She has recently been responsible for marketing and circulation in all regions outside North America.



Architecture/Colin Amery

# Tales of two cities

When the summer feels more like autumn, which it does in England this August, there are only two things to do. One is to escape to the sun, the other is to curl up with a good book. I suppose you could combine the two activities, but I have never found it easy to read on a beach or to do anything very much at all in the hot sun.

Two good new books this summer may give readers the opportunity to mug up a bit on some appropriate regional architectural history before they travel or even to get on with some continuing education of a fairly serious kind.

As far as I know, there is not yet a *Butlers' guide* to the Balearics. But there are other ways of immersing the mind in architecture and often the less obvious books are the best.

Visitors to the Edinburgh festival can this year enjoy the architecture of the city with a new edition of Charles McKean's guide book, *Edinburgh: An Illustrated Architectural Guide* (published by the Royal Incorporation of Architects of Scotland, £9.95, 236 pages). This new edition of the guide was sponsored by the City of Edinburgh District Council and Edinburgh Enterprise Limited for the European Summit last December, but it is a timeless guide that should be in the hands of every visitor to the Edinburgh festival.

It is an advantage to have a pocket-size guidebook, but I wish for more from Mr McKean particularly because his picture research is so good. The are wonderful visions that were never built, like Robert Adam's 1791 proposal for a new bridge to link Calton Hill to Prince's Street, and J. Dick Poddie's view of the city from the Parthenon high above the city.

The author is also good at making the visitor look about him and think of the future of the city as well as what is before him. As McKean says, Edinburgh is about to have a

new Opera House, a conference centre, a new headquarters for Scottish administration and the sizeable Maybury business park.

Does the city have a policy for the residential rejuvenation of the Old Town or for phoenix-like transformations to follow on that of Leith? What about the future of the Trinity area, which McKean memorably describes as a home for the "unhatted mercantile, maiden ladies and mistresses?" Edinburgh is much enriched by this book, with its clear explanations of the differences between the old and the new towns of Edinburgh and its simple exposure of the incredible architectural wealth of a city that still keeps many of its glories, both classical and gothic well hidden from its native residents as well as festival guests. Mr McKean opens Edinburgh's architectural doors.

From the Athens of the North to Rome, I was fascinated by a book about that intriguing Roman building the Villa Madama which, although unfinished, remains a key point of reference in Italian Renaissance architecture. *Villa Madama: a memoir relating to Raphael's project* by Guy Dewez (Lund Humphries £35, 184 pages) is an unusual kind of architectural history.

The author uncovers the plans and proposals of Raphael for his patron, Cardinal Giulio de Medici, who was the first cousin of and Secretary of State to Pope Leo X.

Construction began on the villa in 1512, but Raphael died in 1520 and, although work continued under the direction of Giulio Romano, it was never completed. It was a project of great importance in the early Cinquecento, ranking with the Michelangelo commissions in Florence, and marking the importance of the Medici presence at the gates of papal states.

Today the villa is hard to see, as it is in the custody of

the Italian Ministry of Foreign Affairs. It lies to the north-east of Rome, high on its hillside among woods and gardens. It is used in much the same way as the Medici planned - a place for high-level foreign ministry meetings and state receptions. Guy Dewez has clearly been obsessed, in the best sense, by this incomplete masterpiece and his researches are occasionally published here in a way that convincingly shows how the villa would have looked if it had been finished by Raphael.

It was a perfect example of the Renaissance wish to idealise the antique Roman villa - a place where the pleasures of civilisation could be enjoyed and demonstrated in a rural setting. The discovery and publication in this book of a letter from Raphael to his patron provides us with a first hand account of the artist's intentions.

Raphael writes of the sitting of the villa to "face the most salutary winds". Part of the villa is to be a circular structure, "lit through a ring of glass windows, each of which is successively visited by the sun from the time it rises to the time it sets - a delightful place in which to hold polite conversation."

Nothing was clearly an important part of villa life and Raphael thought it important to be able to bathe in the sunlight "in front of the window a place where one may lie in the water and be washed by one's servant without coming under his shade..." This delightful letter is supported in the book by many romantic 19th century photographs that show the incomplete villa in an agreeable state of arcaic decay. The author's own immaculate measured drawings provide a lucid vision of how the villa might have looked if completed. This kind of informed speculation about such an important place makes for the best kind of architectural history because it stimulates the historical imagination.



A view west along Princes Street, Edinburgh: Charles McKean's architectural guide enlivens the city

## Rossini Opera Festival at Pesaro

# Armida and Maometto II

The programmes of the Rossini Opera Festival, though never crammed (like Spoleto, for example), can be counted on to provide welcome variety, usually with an element of surprise. The two operas featured in this year's festival - which opened this past week and continues until August 22 - represent a relative rarity, *Armida*, followed by the revival of a successful Pesaro production of some eight years ago, *Maometto II*, designed and staged by Pier Luigi Pizzi.

These productions are complemented by other events: concerts, recitals, lectures, exhibitions, and a two-week course for young artists, sponsored by the Peter Moores Foundation.

But, inevitably, attention focuses on the two operas; and this year *Armida* was swathed with special anticipation. Long neglected, the work was revived in Florence in 1992 for Maria Callas, at the height of her powers, and those unforgettable performances, in the opinion of many music historians, mark the true beginning of the Rossini renaissance, which Pesaro has so intelligently and successfully institutionalised.

*Armida* is one of Rossini's Naples

operas, composed for the great soprano (his future wife) Isabella Colbran, and while not merely a star-vehicle, the work certainly requires the presence of a supreme interpreter in the title role. The American singer Rene Fleming is an attractive and gifted artist, but she does not possess star dimensions. In other contexts her lack of vocal sensuality can even be a merit; but in *Armida* she remained always this side of a full embodiment of the towering part, the only female character.

She was more than adequately supported, though her Rinaldo, the tenor Gregory Kunde, was more bouncy than heroic, and his occasional high notes blasted forth, true but unappealing. Of the six tenors in the cast, the most enjoyable were perhaps Jorio Zennaro and Bruce Fowler, whose charming duet opens the last act.

The orchestra and chorus from the Teatro Comunale, Bologna, were not in their best form. The winds were especially erratic; the chorus lacked impact. Daniele Gatti conducted accurately and soberly, though without bite, occasionally indulging the singers more than advisable.

But even Callas, even Colbran would have had a hard time overcom-

ing the handicap of the Luca Ronconi production (indeed, it is doubtful whether either of those firm-minded women would have tolerated it). Ronconi evidently decided that, despite its definition as a *dramma*, and despite the fact that it was written for a great tragedienne, *Armida* is full of laughs.

In the first act, the stage of the Teatro Rossini was turned into a Middle Eastern desert complete with ruins and the male chorus in Beau Geste, Foreign Legion costumes. There was a good deal of clowning, indicating that the sorceress Armida's magic lay entirely in her sex-appeal. To underline the pin-up characterisation, Miss Fleming was made to wear a dress worthy of Adrian or Edith Head and a ridiculous blond zigzag of hair that even Mae West would have thought vulgar.

The last two acts of the opera, in which Armida gives free rein to her sorcery (and Rossini to his), comprise some of the composer's most sensitive and imaginative pages. With Ronconi's tacky staging - Tasso's garden of delights was a black backdrop with the seductive hours turned into cheap whores from a Berlin brothel of the 1920s - you had to make a huge

effort of will to bear the musical treasures against the anti-musical production.

Even when one likes a Ronconi production, one always has the lurking suspicion that the producer hates music. Even when one has reservations about a Pizzi production, there is never any question about his genuine, insightful feeling for opera. And his *Maometto II* inspires no reservations: it is elegantly conceived, tellingly executed, of unerring taste. Originally designed for the Teatro Rossini, it has been moved to the Palafranceschi (the barn-like reconvered basketball stadium) with a slight loss of intimacy but a gain in grandeur.

The work was first performed in 1820 (just three years after *Armida* and, like it, at the San Carlo in Naples), again with the great Colbran. Cecilia Gasdia has gradually gained remarkable power and authority, and now as Anne - the protagonist - she is touchingly vulnerable and, at the same time, defiantly heroic, loving and brave. In the long second act, she is almost always on stage; and in the final hour of the opera, she sings a succession of astonishing numbers, including a great extended trio and a complex finale.

Her performance is a triumph, at every moment supported by Pizzi's sensitive direction, and by the excellent performances of the other singers, notably the mezzo-soprano Gloria Scalchi a tasteful, understated Calbo, the young Mexican tenor Ramon Vargas, whose voice is clean, clear, pleasing, and the bass Michele Pertusi, the Maometto, a young artist who made a deep impression in *Semiramide* during last year's festival.

The Radio-Sinfonieorchester of Stuttgart, conducted by Gianluigi Gelmetti with accurate attention but with little flair, is an improvement over the Bologna of the previous night, and the Prague Chamber Chorus trained by Lubomir Matl is first-rate.

Pertusi, Scalchi - and now Vargas - are to some extent Pesaro discoveries, a sign that the festival is now developing its own stable of stylistically appropriate Rossini singers. The not always idiomatic superstars of the early days have pretty much vanished from the programme. Pesaro's next job surely is to develop some new conductors and - vain hope, no doubt - a few more sensitive producers.

William Weaver

## Edinburgh International Festival

# Behind the Fringe

Even in Edinburgh, they cannot control the weather, or perhaps they can. Saturday's steady drizzle gave way to low cloud and a nip in the air yesterday morning. Then suddenly the sun came out for the official opening of the 1993 Festival.

Actually the festival with a small 'f' had already started. Fringe productions have been running since early this month. In a relatively new development, there have already been previews in London. It is used to be Edinburgh first, then London.

The fringe gets bigger and bigger. Now in its 47th year, it will host a record 1,535 productions with an estimated total of over 12,000 performances at 165 different venues. In 1976 the number of shows was only 472.

It is also becoming more professional. The days when any college dramatic society could slum it for a few weeks in Edinburgh seem to be over. When the Red Shift Company is premiering the first stage version of Thomas Mann's *Death in Venice*, you are up against serious competition.

There are as yet no identifiable themes, just oddities. For example, there are four separate productions of Shakespeare's *Much Ado About Nothing* - a play which is currently going down well in Loodoo's Shaftesbury Avenue - and three of *A Midsummer Night's Dream*. The oddest show of the lot may turn out to be music from a New Zealand Celtic band.

Ticket prices are up, but not substantially. Entrance to over half of this year's fringe shows will be £5 or less, and a few are

free. At the official Festival, sponsorship is at a record level of £206,000. Among the leading contributors are the privatised British Gas Scotland and Scottish Power. The latter is the biggest private sponsor of the lot and is backing some of the notable musical events, such as the Verdi *Requiem* performed by the Royal Scottish National Orchestra.

The official Festival has reacted to suggestions that the main European theatre festival of the year is now in Salzburg by introducing a programme of collaboration. Peter Stein's production of *Julius Caesar*, which was shown in Salzburg last year, will reappear at the Royal Highland Exhibition Hall. Peter Sellars' production of *The Persians* by Aeschylus, which opens today, has also been seen at Salzburg.

So far, however, the main attraction is neither theatre nor music. It is an outstanding exhibition of photographs called *The Waking Dream: Photography's First Century*, and comes from the Gilman Paper Company Collection in New York. When a very similar exhibition was shown recently at the Metropolitan Museum of Art, I am told that the lighting was a little brighter. Edinburgh might take note of that.

Otherwise, this is the exhibition to see. Note, for instance, the wonderful pictures of Lady Ottoline Morrell in Cavorting by the Pool at Garsington, circa 1916 and the pictures of the American Civil War. The exhibition runs at the City Art Centre until October 2.

Malcolm Rutherford

## Tonight: Lola Blau

Georg Kreisler (b. 1922), the Viennese song-writer, performer and playwright, was one of the lucky ones. He managed to leave Austria (with his family) in 1938, worked in Hollywood and New York, and only returned to Vienna in 1955. Though he had grown so accustomed to writing in English that he found it hard to resume his native tongue, it was back home in Vienna, that he began to enjoy the greatest success of his career; and, according to the Old Red Lion's programme note, he's still at it.

The heroine of his show, *Tonight: Lola Blau*, is a chanteuse, but otherwise her career is his. She is a Jew who manages to escape from Europe with her career intact, enjoys success in America, and then returns to Vienna. Kreisler, in telling her story, tries to highlight a few aspects of the society around her - the importance of her entertainment to the poor as well as the rich, and the anti-Semitism that survives in postwar Austria.

It is, however, alarming to find how lightweight, how passive, Lola Blau's story is. She just happens to escape from Austria, she just happens to become a star, she just happens to go back home. The only thing of which she expresses real need is to make it as a performer; and then to keep on making it. Sure, she passes social comment now and then; but she spends more time com-

menting on the vicissitudes of a stage career than on life outside the theatre. Refuge, life and limb register less strongly with her than stardom. And Kreisler conceives her role more as a tour de force, song upon song upon song upon song, than as a character.

This British premiere has the benefit of an uncannily first-rate translation by Don White, with all the songs in stylish rhymes, witty words and virtuoso metres (can the German original have been this good?), a highly accomplished performance of the central role by Esther Zschieschow (an actress from what was "East Germany" performing in English for the first time with exceptional assurance), and fluent direction by Phil Young.

But Zschieschow does no more to round out Lola than Kreisler. She rattles off this huge, wordy, song-and-dance role with impressive concentration; but her Lola is not a star (just very accomplished), not a personality (just a commentator). There is more authority in Darryl Goodwin's performance of three small roles; and he also plays in the excellent stage band. It is easy to enjoy each passing feature of this show - but its heart is hollow.

Alastair Macaulay

At the Old Red Lion, London EC1 (071) 337 7816 until September 4; at the Old Fire Station, Oxford (0865) 79494, September 13-27

## INTERNATIONAL ARTS GUIDE

### BERLIN

**THEATRE**  
The 1993-4 season at the Schaubühne opens on Fri with Georg Kaiser's expressionist drama *From Morning to Midnight*, directed by Andrea Breth (890023). Richard's Cork Leg, Brendan Behan's political comedy about fascism, opens the season at Tribüne on Sat (341 2000). Freilichtbühne an der Zitadelle has open-air performances of Schiller's *The Robbers* from tomorrow till Sun (331 6920).

**MUSIC/DANCE**  
The 1993-4 season at the Deutsche Oper opens with a Ring cycle by Götts (28, Sep 1, 5), staged by Götts Friedrich and conducted by Jiri Kout, with a cast led by Deborah Polaski, Karan Armstrong, Robert Hale, René Kollo, Günter von Kamen and Matti Salminen (341 0249). Merce Cunningham Dance Company performs on Aug 25, 26 and 27. Daniel Barenboim conducts production of *Die Zauberflöte* at Waldbühne on Aug 29 (200 4762).

Barenboim also conducts the opening concert of this year's Berlin Festival, at the Philharmonie on Aug 31 and Sep 1 (254890).

### BONN

Belgian pianist André de Groote gives the third recital in his complete survey of Beethoven piano sonatas tomorrow at Beethoven-Haus, continuing every Tues till Sep 28 except Sep 1 (332500). Bonn Opera opens its 1993-4 season on Aug 28 with Prokofiev's ballet *Romeo and Juliet*, followed on Aug 31 by the first of five performances of the new Lyubimov/Schnittke music-theatre piece *Hommage to Zhivago* (773667).

### GENEVA

Victoria Hall Tonight: Eric Ericson conducts Drottningholm Baroque Ensemble and Chamber Choir in Johan Helmich Roman's Swedish Mass, plus music from Drottningholm. Fri: Sergiu Commissiona conducts Orchestre de la Suisse Romande in Tchaikovsky's First Piano Concerto (Elisabeth Leonskaya) and Rimsky-Korsakov's *Scheherazade* (312 4353). Hôtel de Ville Tomorrow: Eric Ericson directs his own chamber choir in music by Bach, Frank Martin, Penderecki, Lichstein and other Swedish composers. Wed: Laurent Gay conducts Orchestre de la Suisse Romande in works by Mendelssohn, Mozart and Beethoven. Thurs: Roland Pöntinen piano recital. Sun: Westra Aros Pipera, renaissance instrumental music and dance (312 4353).

**Théâtre de Verdure** Wed: The Real Group vocal quintet meets Lene Willemark. Fri: Tobias Tak, Broadway music and tap dance. Aug 27: Stockholm Jazz Orchestra (336 3878).

### HAMBURG

Justus Frantz brings the Proms to Hamburg on Fri with a Schleswig-Holstein Music Festival concert at the Musikhalle featuring Sinfonia Varsovia (354414). ● Brahms, Schoenberg and Egyptian-Greek composer Jani Christou (1926-70) are the featured composers in this year's Hamburg music festival (Aug 22-Sep 12). In the opening concert at the Musikhalle on Sun morning, repeated next Mon and Tues evening, Gerd Albrecht conducts Hamburg State Philharmonic Orchestra in a programme including Beethoven's Third Piano Concerto (Anatoli Ugorski) and the Schoenberg arrangement of Brahms' Piano Quartet. The festival also features the St Petersburg Philharmonic, the Czech Philharmonic, the Bavarian Radio Symphony Orchestra and North German Radio Orchestra (247747).

### NEW YORK

**THEATRE**  
● *Angels in America*: the first half of Tony Kushner's epic, freewheeling play about gay life, Reagan-era politics and Mormonism. Not to be missed (Walter Kerr, 219 West 48th St, 239 6200). ● The Sisters Rosensweig: Wendy Wasserstein's play, a comedy with serious undertones, about the

reunion in London of three American Jewish sisters (Ethel Barrymore, 243 West 47th St, 239 6200).

● The Perfect Ganesh: Terrence McNally's poignant play about two middle-aged American women from Connecticut making a pilgrimage through India (City Center, Stage 1, 131 West 55th St, 581 1212).

● Three Hotels: a drama by Jon Robin Baitz in which a couple discover the spiritual cost of the rise to corporate power (Circle Repertory, 99 Seventh Ave South, at West 4th St, 924 7100).

● Kiss of the Spider Woman: a Kander and Ebb musical, based on the novel by Manuel Puig, directed by Harold Prince, with a star performance from Brent Carver as the heroic homosexual window dresser (Broadhurst, 235 West 44th St, 239 6200).

● The Who's Tommy: a stage adaptation of the classic 1969 rock opera, a collaboration between its original principal author, Pete Townshend, and director Des McAnuff (St James, 246 West 44th St, 239 6200).

● She Loves Me: revival of award-winning 1963 musical by Joe Masteroff, Jerry Bock and Sheldon Harnick, about the romantic entanglements of a quabbling sales clerk and her manager (Roundabout, Broadway at 45th St, 969 8400).

### MUSIC/DANCE

● The final week of this year's Mostly Mozart Festival features the Beaux Arts Trio tonight, followed by orchestral concerts tomorrow, Wed, Fri and Sat conducted by Gerard Schwarz. Soloists include Cho-Liang Lin and Cecilia Bartoli (Avery Fisher Hall 875 5030). ● New York City Opera: the next

two weeks are devoted to Romberg's *The Student Prince*, daily except Mon. The first new production of the season is the New York premiere of Tippet's *The Midsummer Marriage* on Sep 9 (State Theater 670 5570).

### STUTTGART

**LUDWIGSWIG FESTIVAL**  
Tonight: Barbara Hendricks song recital. Aug 25: Neville Martin conducts Academy of St Martin in the Fields. Aug 26: Anne Sophie Mutter. The festival runs till Sep 26 (07141-949810).

### VIENNA

A week of Mozart opera performances at the Schönbrunn Schloßtheater opens on Sat. The repertoire consists of Bastien und Bastienne, Der Schauspielerdirektor and Le nozze di Figaro (0663-887063).

● Klangbogen: Vienna's summer concert series continues with a Takacs Quartet recital tonight at Schloss Schönbrunn, an operetta gala with Thomas Moser and other soloists tomorrow at Theater an der Wien, a Schubert chamber music recital with violinist Christian Krastner and friends on Wed at Konzerthaus, an operetta concert with the Sofia State Opera Orchestra at Theater an der Wien on Thurs and a Czech Philharmonic concert conducted by Václav Neumann at Konzerthaus on Fri. Sunday's programme at Theater an der Wien features Shlomo Mintz as violin soloist with Vienna Chamber Orchestra in the morning, followed in the evening by Haydn's The

Seasons performed by the London Classical Players and Schütz Choir conducted by Roger Norrington. Christa Ludwig is soloist in a Bernstein programme with the Schleswig-Holstein Festival Orchestra next Mon (0663-887063).

● Alda, starring Aprilie Millo, opens the 1993-4 season at the Staatsoper on Sep 1. Donald Runnicles conducts a cycle of Wagner's Ring on Sep 5, 8, 12 and 19, with a cast including Hildegard Behrens, Poul Elming and Robert Hale (51444 2960).

### ZURICH

Tonhalle The season begins with a series of Russian programmes focusing on music by Tchaikovsky and Prokofiev. The opening concert on Sun is played by Moscow Radio Symphony Orchestra under Vladimir Fedoseyev, with piano soloist Alexey Botvinnov. The following three

concerts, on Aug 25, 30 and Sep 3, are given by the Tonhalle Orchestra under Yuri Ahronovich, and feature all five Prokofiev piano concertos played by Vladimir Krastner. Sep 6: Czech Philharmonic Orchestra (261 1800). Opernhaus A revival of Tony Palmer's staging of *La Forza del destino*, conducted by Elisha Inbal, opens the season on Sep 1. The first two weeks also include Lohengrin and Il barbiere di Siviglia. The first new production is Henze's *Der Prinz von Homburg* on Sep 12, starring Thomas Hampson (262 0909).

### ARTS GUIDE

**Monday:** Performing arts guide city by city.  
**Tuesday:** Performing arts guide city by city.  
**Wednesday:** Festivals Guide.  
**Thursday:** Festivals Guide.  
**Friday:** Exhibitions Guide.

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**Friday Super Channel:** European Business Today 0730; 2330

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**Sunday Super Channel:** West of Moscow 1830  
**Super Channel:** Financial Times Reports 1900  
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**Sky News:** Financial Times Reports 1330; 2030



## The case against redistribution

President Bill Clinton's budget raises an age-old philosophical question: to what extent is state-mandated redistribution from the rich to the rest of society justified? The administration has imposed one of the biggest tax increases in US history (nearly \$250bn over five years) yet boasts that only the top 1 per cent or so of taxpayers will face any increase in income tax. Some 80 per cent of the burden will supposedly be borne by families with incomes of \$200,000 or more.

Such an extraordinary emphasis on redistribution has few historical parallels. Yet few Republicans have had the courage publicly to challenge Mr Clinton. Afraid of appearing hard-hearted or apologists for the rich, most redirected their fire to proposals that made sense, such as the planned broad tax on energy.

Since the mid-18th century, forcible redistribution has typically been justified by likening national income to a giant cake. Since we all have similar material needs, the cake ought to be divided equally. Alas, this is not practicable, but government can reduce inequality by imposing progressive taxes that rise more than proportionately with income.

Utilitarians made this sound scientific by arguing that the law of diminishing returns must apply to money. The greater a person's earnings the less valuable must be each additional dollar of income: \$100 means little to a millionaire but a great deal to a beggar. The way to promote the greatest happiness of the greatest number was thus to redistribute cash from rich to poor until all incomes were equalised. Such logic eventually led to top marginal rates of income tax in excess of 90 per cent in most industrialised countries.

But, of course, the cake model is grossly misleading. The level of national output is not a given, but depends crucially on economic incentives which are blunted if incomes are equalised. This point may not seem compelling to salaried employees of large, stable organisations. In the short run changes in tax rates may not affect their hours of work or effort. But anybody engaged in risky or entrepreneurial work



MICHAEL PROWSE  
ON AMERICA

does care about marginal tax rates. A freelance journalist's incentive to write extra articles will be greater if the top tax rate is 30 per cent rather than 40 per cent or 60 per cent. And the trend towards corporate "downsizing" suggests that many people formerly in stable employment will face a less secure future.

More important, the cake analogy wrongly implies that society is a giant organisation run by government. In reality, it consists of a myriad of different individuals with different aptitudes pursuing different interests. Government is needed not to manage everything but to underwrite essential institutions, such as the legal system.

Material rewards depend on an unpredictable amalgam of effort, luck and tastes. Luck covers inherited wealth, innate abilities and sheer good fortune, for example selecting a profession that rises in esteem. Tastes reflect preferences for financial as opposed to non-financial rewards: many economists, for example, could triple their salaries by working on Wall Street, but prefer a less hectic and more thoughtful lifestyle.

If government is not regarded as an all-powerful mother wielding a cake knife, the logical fiscal system is one that leaves economic relationships unchanged; in other words taxes that are proportional to income, rather than progressive. This meets the practical requirement that taxes should be related to ability to pay, but denies the majority a right to impose higher tax rates on a minority (the wealthy) than they pay themselves. It regards taxes as a tool for financing essential public services, including a

generous safety net for the poorest, but not as a means for social engineering.

Such a rule meets common sense ethical standards. A rich man eating caviar while children starve is an obscene spectacle. But what if the children are eating hamburgers and chips? Is that kind of inequality fundamentally wrong?

There are also more mundane reasons for regarding specially high taxes on the wealthy with scepticism. They are rarely paid. Mr Clinton is raising the top rate by a third to 40 per cent. This translates into a large notional tax increase for the rich. A couple earning \$600,000 a year faces an annual increase of about \$27,000; a couple earning \$1m an increase of about \$80,000. Will such families hand over these sums or will they call their tax lawyers and find legal ways to reduce their liabilities?

History points to increased avoidance. The share of federal tax paid by the top 1 per cent of taxpayers (those currently on more than \$200,000) has typically oscillated between 15 per cent and 20 per cent, regardless of the level of the top rate. Mr Robert Barro of Harvard University points out that this share reached a postwar record high of 22 per cent in 1939, after the top rate fell to 28 per cent, higher than in 1990 when the top rate was 31 per cent.

In other words at the peak of the "greedy" 1980s the rich were shouldering a larger share of the national tax burden than ever before. This partly reflected special factors, such as soaring asset prices, but the low tax rates also increased incentives for top earners and reduced the advantage of taking income in non-taxable forms, such as fringe benefits.

The Clinton administration will say that a 40 per cent top rate is not high by historical standards. True, but the direction of change is ominous. So is the hypocrisy of many liberal (left-leaning) Democrats who enjoy quite lavish personal lifestyles while preaching a gospel of hairshirt egalitarianism. Contrary to popular rhetoric, there are onselfish, principled reasons for questioning the merits of a tax increase restricted to 1 per cent of the population.

Mr Kim Young-sam has sprung the biggest surprise of his six-month presidency. Announcing last Thursday night an immediate ban on the use of aliases in financial transactions, he boldly stepped up his campaign against pervasive corruption in South Korean public life.

The requirement that owners of financial accounts disclose their identity is intended to end the bribery which has enriched those at the top, and to weaken the system of bureaucratic patronage which, the president believes, is hampering Korea's international competitiveness.

Mr Kim said the move would eliminate "the dark link between politics and business", depriving officials of the ability to hide ill-gotten money. It was also intended to stamp out tax evasion and the underground economy, which is estimated to equal 20 per cent of gross national product.

Mr Kim is taking a big gamble at a time when the economy is sluggish; he acknowledged that "in the short term, the (real-name) system is likely to cause a variety of ill effects". Liquidation of accounts held in false names sent share prices down 8 per cent by Saturday's stock market close.

There were worries that a capital shortage could cause problems for small and medium-sized businesses which have depended on unofficial leading markets, largely financed by money held under false names. The move could also precipitate flight of capital abroad or into property as investors seek new tax havens, though the government promised to prevent this.

Mr Kim's broader aim is to reduce centralised management of the economy by bureaucrats and politicians, and to give greater play to market forces. The move is part of a drive to restore the country's industrial competitiveness, which has lagged in recent years as wage costs have risen and productivity has dropped.

The president had bitterly attacked the status quo during 20 years of opposition to the military dictatorship which collapsed in 1987. When he abandoned the opposition in 1990 and became the conservative government's presidential candidate in last December's election, suspicions grew that he was really a politician of the old school. But his record in office has restored his reformist credentials.

## Gamble to squeeze out corruption

South Korea's president is taking a risk at a time when the economy is sluggish, says John Burton

First, he ousted the authoritarian old guard at the top of the military establishment and the intelligence agency, and imposed civilian control over these powerful organisations in an effort to complete Korea's transition to democracy.

Then came an aggressive anti-corruption campaign, which exposed bribery among senior government officials, military officers, university administrators, bank presidents and corporate executives. Top politicians and government officials have been forced to disclose their assets. The government audit agency and the tax authorities have been ordered to uncover corruption in government and business. The campaign has won Mr Kim immense popularity, with approval ratings of 80 per cent or more.

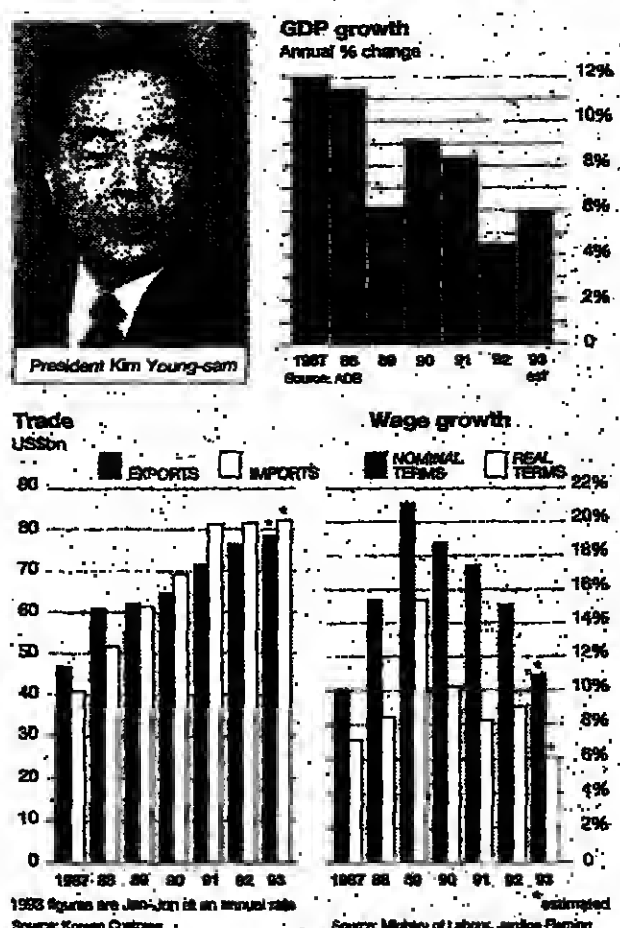
But he is not without critics. The reform programme has been blamed for disrupting the economy, which grew by 3.9 per cent during the first half of 1993 compared with the same period in 1992, slow by comparison with other Asian countries such as China. The central bank forecasts that the growth rate for the full year will be 5.7 per cent, below the government target of 6 per cent.

The Federation of Korean Industries, the leading business lobby group, has complained that uncertainties created by reform proposals on streamlining the country's big business entities, labour policy and financial liberalisation have dampened corporate investment.

Officials who process corporate proposals for new investment have delayed decisions because they fear being accused of corrupt practice.

"It is easy to forget that the system of pay-offs did allow businessmen to get things done under a regime of strict bureaucratic controls," says the head of research at a western broking company in Seoul. "Remove the only way around the regulations, without changing the actual rules, and you have accomplished nothing

South Korea: the economic challenge



except to make it harder than before to function," he added.

However, Mr Sanjiv Chowdhury, chief Asia/Pacific economist for Merrill Lynch, the US broking house, says: "President Kim needs to show determination in correcting the structural faults that threaten Korea's future prosperity. His programme offers progress in that direction, although more may need to be done."

The challenge facing Mr Kim is to reduce government control over the economy because the current system, once praised as a model for developing countries, is criticised as outdated for Korea's mature economy. The government no

longer appears able to guide industrial development efficiently. Instead, the bureaucracy's taste for micro-management hinders restructuring of industry.

Taming the bureaucracy would improve prospects for implementing economic reform in three main areas:

- Financial liberalisation: easing state controls on banks and capital markets and reducing the government's role in credit allocation, in order to make more efficient use of capital and stop pouring money into uncompetitive companies that the government deems strategic.
- Industrial policy: the gov-

ernment wants to reduce the dominance of the large conglomerates, the *chaebol*, and to promote small and medium-sized companies. The aim is that the *chaebol* should concentrate on a few core industries.

● Fiscal policy: promoting economic equality by broadening the tax base, cracking down on tax cheating and closing loopholes.

Mr Ahn Chung-ni, a professor of political science at Seoul National University, says: "Kim is engaged in a race against time in achieving his political and economic reforms. He has to push as fast as possible and keep his conservative opponents off-balance."

Politically, Mr Kim appears safe for now. He has used the anti-corruption campaign to strengthen his position within the ruling Democratic Liberal party. Internal opponents, mostly linked with previous military-backed governments, have been forced to disclose fortunes gained through questionable means.

The reform programme has deprived the main opposition Democratic party of a strong alternative message to attract voters. The biggest threat to Mr Kim is a faltering economy, which could cause his popularity to fall.

There are some healthy signs: wage growth has slowed as lower inflation and worries about job security have persuaded workers to accept moderate pay increases; and exports have risen because of the depreciation of the Korean won against the Japanese yen. Most economists predict that growth will accelerate in the second half of the year.

But the slowdown in the Chinese economy - a growing market for Korean products - could undermine exports, and a rise in interest rates as a result of the introduction of the real-name system could depress investment.

There are indications that Mr Kim is prepared to tone down reforms to keep the economy going. Investigations of corruption in the banking, construction and defence industries appear to have been curtailed in an attempt to restore business confidence. However, Mr Kim has indicated his determination to press ahead. The next few months will test his skill in balancing long-term goals against the need to revive economic growth quickly. South Korea's future depends on his success.

## LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL  
Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

### The cost of Unesco

From Ms Margaret Quass

Sir, It is gratifying to learn from the report of the foreign affairs select committee ("MPs in call to rejoin Unesco", August 4) that nothing stands in the way of Britain rejoining the United Nations Educational, Scientific and Cultural Organisation but "spending pressures".

The current assessment for UK membership is £10.6m a year, which will be reduced to £8m when the US rejoins. Modest as this is for what we get back (employment, sales of equipment, benefits of scientific research, etc.) it has since 1984, come out of our overseas aid budget, which Baroness Chalker is naturally reluctant to cut. But Unesco is not primarily an aid agency; its field of activity encompasses science, education, environment, culture and communications.

If the office of public service and science and the education, environment and national heritage departments were to share the load with the Overseas Development Administration, each would be required to pay only £2.13m a year and would be getting an excellent bargain. And Britain would once again be in a position to influence international policy on matters of great concern.

Margaret Quass,  
Friends of Unesco,  
3 Whitehall Court,  
London SW1A 2EL

### Attack on Russian reformers' monetary policy is misleading

From Prof Jeffrey D Sachs

Sir, Steve Hanke and Kurt Schuler (Personal View, "How the reformers' efforts since August 12 misdirect their fire by accusing Russia's reformers of lacking a strategy to stabilise the rouble."

The reformers, led by finance minister Boris Fedorov, agree with Hanke and Schuler that credit policy should be ruled-based and restrictive. They face profound political and institutional obstacles in implementing such a policy.

Sometimes the conservatives still hold sway, as with last month's ridiculous currency confiscation. None the less, the reformers have made progress: hyperinflation has been avoided, credit creation has

slowed, and the rouble has strengthened in recent weeks. Hanke and Schuler dismiss the reformers' efforts since they fall short of the ideal standard of a currency board, with zero domestic credit creation. Currency boards certainly have their merit, and have proved useful for some small open economies such as Hong Kong and Estonia, though they have been consistently eschewed by large countries for political and economic reasons.

A currency board is neither necessary nor sufficient for stabilisation. Hanke's favourite successes are Chile and China, neither of which has a currency board. The vast majority of stabilisations throughout

history have been achieved without currency boards, while some countries with currency boards or similar arrangements (such as Liberia and Panama) have none the less succumbed to state bankruptcy.

Hanke and Schuler's call for rule-based monetary policy is most welcome, but their attack on Russia's reformers for the failure to implement a particular vision of 100 per cent monetary purity is thoroughly misleading.

Jeffrey D Sachs,  
Professor of international trade,  
Department of economics,  
Harvard University,  
Cambridge,  
Massachusetts 02138,  
US

### The right tax option for Clinton

From Mr Sarjvet Garcia and Mr Robin D Muttall

Sir, It is misleading to argue ("Mr Clinton's Tax Deal", August 9) that labour taxes reduce employment any more than value-added consumption taxes. A rise in either form of taxation reduces the purchasing power of labour income, and thereby has an equivalent impact upon wage demands.

Consequently the detrimental effect upon employment is the same, unless you believe that workers are stupid - not being able to realise that a rise in the price of consumption goods means they can buy less of them.

To assume so would be inconsistent for a newspaper that was arguing as recently as last year that devaluation would have no lasting effects on competitiveness and employment - on the grounds that workers would simply demand higher wages to compensate for increased import

prices. Moreover, an increase in labour taxes can be focused on the rich whereas an increase in consumption taxes cannot. Thus, if the higher tax revenue in the US is to be met by the rich it is to labour taxes, not value-added taxes, that Clinton must turn.

Sarjvet S Garcia,  
Robin Muttall,  
St John's College,  
Cambridge CB3 1TP

### A unitary coal business would offer the industry more security

From Mr J D Meads

Sir, The theme of Tony Jackson's article ("No more hurried treasure", August 9) was that UK coal reserves, and the collieries which work them, have a value only to the extent that coal production is - or can be - profitable. I do not dispute that general principle.

Where Mr Jackson's analysis was deficient - apart from his underestimation of the technical difficulties and costs of mothballing collieries - is his lack of appreciation of how the UK coal industry's efficiency has advanced in recent times.

Since the national strike of the mid-1980s British coal collieries have achieved real unit cost reductions averaging 5 per cent each year. We can and will maintain this rate of progress.

The figure of £2.3bn which Mr Jackson quotes as the "subsidy" inherent in British coal's prices to the electricity generators is open to serious dispute; the figure is, in any event, out of date, because it was calculated on the basis of British Coal's 1990-93 contracts with the generators now expired - not the current ones.

At privatisation, the new owner of British Coal is likely to find that it has more collieries capable of matching the price of imported coal, delivered to the UK customer, than it can find a market for. The crux of the problem is that the size of the UK coal market will be constrained by possible sales volume imposed largely by the excessive building of new gas-fired power stations -

rather than by the relative cost of UK and imported coal.

Whether the UK coal industry will have a viable future beyond expiry of the present coal contracts in 1998 will be determined by the extent to which it is able to retain and reinvest the profitability which its efficiency ought to justify. The key issue here is privatisation structure, as Mr Jackson acknowledges, the life of a fragmented UK coal industry is likely to be nasty, brutish and short. While British Coal will be able to compete with imports within the UK, it will not normally be able to compete in export markets. This will place enormous bargaining strength in the hands of the electricity generators when it comes to renegotiating the

present coal contracts. A unitary coal business would be best placed to counter that strength, as well as being best able to spread the risks inherent in all mining operations, particularly those undertaken in UK geological conditions.

It is true, as Mr Jackson points out, that in terms of employee numbers British Coal is now but a shadow of its former self. But surely that does not justify the insouciance with which he contemplates our complete demise? John Meads,  
General Secretary,  
British Association  
of Colliery Management,  
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217 Nottingham Road,  
Old Basford,  
Nottingham NG7 7DP

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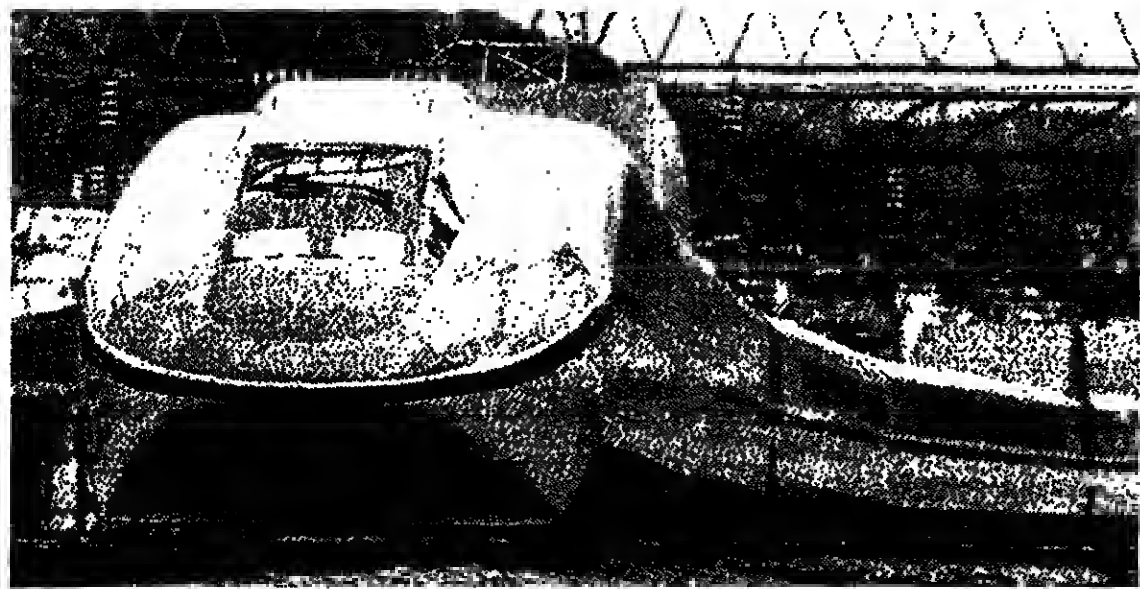
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## FINANCIAL TIMES

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Monday August 16 1993

## Economics in the new Japan

AFTER 40 years of Liberal Democratic party domination, Japan's economy, as well as its politics, is unlikely ever to look quite the same again. The seven-party coalition government, gratefully grasping the reins of power and with the possibility of a second election not too far ahead, has every incentive to change the rules of the economic as well as the political game.

For years, US governments have been demanding a shift in Japanese government and household behaviour from saving towards consumption, in order to reduce Japan's trade surplus. Now, independent of US pressure, the change in underlying economic and political circumstances may be about to deliver the fall in Japanese national saving and the trade surplus that the US has long desired.

What will drive a reduction in the trade deficit is the strong rally in the value of the Japanese exchange rate which has occurred over the past month. The yen has appreciated by 22 per cent against the US dollar since the beginning of the year, and by 15 per cent since the election in mid-July. For the moment, the combination of the yen appreciation and depressed demand for imports means that the dollar value of the trade surplus is still rising. But the yen rally will inevitably bite into the competitiveness of Japanese exporters. Export volume growth is already slowing.

Still, the pace at which the trade deficit falls will depend on how fast imports rise and thus on the strength of domestic demand over the coming year. The economy's recent hiccup, the political outlook and the changing power balance between the politicians and the bureaucracy all point to the possibility of a faster recovery than would otherwise have been the case.

A cut in interest rates by the Bank of Japan would be the most effective way to revive Japan's still sluggish economy. If the government is really worried, an

easier monetary policy would also be the most effective way to stem the rise in the yen. But the stimulus is more likely to come from another fiscal package in the second half of this year.

The Ministry of Finance will fight hard to resist the income tax cuts that the new government appears to favour. The risk is that, despite the opposition of the bureaucrats, a weak coalition will rush to buy the support of voters through profligate fiscal policy. But even if it is still sufficiently powerful to prevail on tax cuts, the MoF will have to sanction some form of fiscal loosening.

Yet the most significant fiscal policy changes are likely to be those which encourage a fall in private, rather than government, saving. Japan's households have traditionally been big savers only partly because they wanted to save. The web of taxes and regulations that the LDP spun to attract its rural constituencies also made consumption difficult and expensive for urban dwellers. In the new world of Japanese politics, the re-drawing of constituency boundaries, the re-balancing of representation towards urban areas and the apparent decline in political support for the socialist party all make the interests and concerns of urban voters much more important than before.

The government thus has an opportunity to remove many of the distortions - particularly concerning the ownership, use and transfer of land - which have traditionally impeded consumption and contributed to the emergence of trade and financial imbalances over the past decade. By removing the disincentive to private consumption, while keeping a tight grip on fiscal policy in the medium term, the new government could also reduce the trade deficit and achieve a permanent improvement in US economic relations. US administration officials, however impatient for signs of short-term fiscal policy activism, would be wise to sit on their hands and see what develops.

## In the pit

FURTHER PIT closures have been inevitable ever since the UK government gave a stamp of execution to 12 of the pits on British Coal's original hit-list earlier this year. Mr Michael Heseltine, the trade and industry secretary, could not say so at the time, but was the political uproar that greeted last year's closure programme. The government may not feel able to say so now, although the news that British Coal wants to close an even larger number of pits has been leaked. But the harsh truth is that March's white paper did not provide a rescue, only a reprieve.

Coal is a dirty and expensive form of generating electricity and is therefore being inexorably driven out of the market by cheaper and cleaner gas. The white paper failed to guarantee a larger market for coal by allowing it to compete on a level playing field with other forms of energy. It merely promised subsidies to bring the price of British-mined coal down to world market levels if any extra market could be found.

But it has become abundantly clear that the main generators, National Power and PowerGen, are not willing to buy more coal for the time being. They have already stockpiled far more coal than they want, and have no immediate need of any extra supplies on top of what they have already contracted to take. Even if they sign up for more from next year, the amounts will be small.

Meanwhile, the prospects for UK coal have further deteriorated. Partly to blame is the government's decision to allow genera-

tors to burn more orimulsion, an even dirtier but cheaper form of fuel than coal. But the reprieve of the 12 pits has also played a part. It has resulted in British Coal building its own 14m tonne stockpile of coal, and the larger the coal mountains above ground, the more pointless it is to dig for coal underground.

There will be some who think that the government should re-examine options discarded in the white paper such as banning new gas-fired power stations, closing nuclear plants and halting imports of French electricity. But changing the energy market in such ways would impose higher electricity costs on British businesses and consumers.

The only sensible way forward is to press ahead with privatisation, in the hope that a small but efficient industry will emerge. In doing so, ministers will need to consider carefully whether British Coal should be broken into competing companies. Although this would give a spur to productivity, there may be something in the counter-argument that the generating duopoly would find it too easy to dictate terms to an excessively fragmented industry.

As far as pit closures are concerned, there is an economic case for an open announcement that another 15 or so pits will have to go. Prolonging the agony would be debilitating for those who work in the industry. By adding to the coal stockpiles, it would also undermine the industry's remaining chances of long-run viability. But politics will presumably dictate otherwise.

## Insurance crunch

WHILE THE rest of the UK financial services industry has been subjected to painful structural change over the past decade, the life assurance sector has enjoyed a relatively trouble-free existence. Since the introduction of the 1986 Financial Services Act, the commissions it charges to policyholders have actually gone up, and the cost base of much of the industry has also risen against the wider financial services trend.

There are now good grounds for thinking that the 1990s will see a profits crunch in life assurance. One pointer is the recent decision by the chancellor of the exchequer to call for a regulatory regime that demands improved disclosure of demands improved disclosure of effective form of competition. Another is the decision announced last week by the Cheltenham & Gloucester Building Society to stop selling endowment mortgages and to sever its distribution link with Legal & General.

This represents a simultaneous retreat from financial conglomerates and from a commitment to a product with which the public is understandably disenchanted. A return to repayment and interest only mortgages is only possible because the society has a sufficiently low cost base to do without commission fees from Legal & General on endowment policies.

For medium-sized players in the retail financial services business, the name of the game in future will be to focus on those products that will retain their appeal in an improved-disclosure environment and to do so on the basis of the lowest possible cost. The inefficient will be weeded out, though the shock will be less severe by the fact that a large number of mutual insurers enjoy a protected form of ownership. But there will be no escape from competitive pressure in the product market itself. The more efficient practitioners will anticipate it by positioning themselves in advance.

When a Spanish businessman has a profitable year he does not invest in plant and equipment to expand his business and create jobs. Instead, he puts money aside to cover the cost of sacking workers when the market wanes.

Mr Felipe Gonzalez, Spain's prime minister, sometimes tells this story to businessmen to illustrate how the high costs of labour protection have contributed to his country's unemployment level of 22 per cent, the highest in the European Community.

For the leader of a socialist government to suggest reducing labour protection as a key to job creation is indicative of a new openness in the EC unemployment debate - which has spread to the European Commission as it prepares a study of the link between jobs and competitiveness.

The Commission is examining whether the high cost of employment and high protection of European workers is one reason why so few people have jobs. Only 60 per cent of people of working age have jobs, compared with 75 per cent plus in the US and Japan, and half of Europe's 17m unemployed have been without work for more than one year.

While the Commission is not considering abandoning its commitment to minimum employment rights as enshrined in the social chapter, an increasing number of officials are searching for a new balance between protection and deregulation. "Relaxing the rules governing hiring and firing is not the only answer but some countries do need to loosen up a lot more," says a senior Commission official.

For the past decade, much of the EC has been experiencing growth virtually without any net increase in jobs. Even countries which have had above average growth, such as France, Italy and Ireland, have seen no significant increase in employment. Given the gradual increase in female workforce participation, the Commission estimates that merely to reduce unemployment from 11 per cent to 7 per cent requires the creation of 10m jobs before 2000.

The rise in EC unemployment since the early 1970s has as many causes as there are countries. There are also significant differences between countries in the way that unemployment is counted. In Spain only those on the unemployment register qualify for free health care, thereby inflating the jobless figure.

Nevertheless, EC countries do share several problems and could learn from each other's experiences in trying to tackle them.

Debate across Europe is now focused on four main areas of reform:

● The high costs of hiring and the restrictions on part-time and temporary work. It may seem perverse to make it easier to fire people when the aim is to increase employment levels. But in increasingly open and competitive markets, employers, large and small, will only hire if they know they can fire when the going gets tough.

The average cost of firing someone in the EC is 22 weeks' pay (26 weeks for white-collar workers and 16 for blue-collar), and most countries require statutory consultation with unions or the state. Denmark, Ireland and the UK have the fewest restrictions; Spain, Italy, Greece, Portugal and the Netherlands have the greatest; Belgium, France and Germany lie in between.

Many southern European states with their low workforce participation rates and high long-term unemployment illustrate the point that the more regulation there is to protect full-time jobs, the fewer employers will offer.

"The legacy of regulation in southern Europe stems from a time when product markets too were highly regulated, but with the liberalisation of markets the full-time employment guarantee has to be loosened too," says Mr David Grubb, a labour market expert at the Organisation for Economic Co-operation and Development.

Spain and Italy, where it can cost more than two years' pay to sack

The EC is seeking to redress the balance between worker protection and labour market flexibility, writes David Goodhart

## Back to work a speedier way

someone from a large company, are in the process of cutting that amount and making the negotiating period shorter.

There has also been some reform of the tight regulations that southern European countries have inherited governing part-time and temporary work. In France and Spain, where temporary contract work was liberalised in the 1980s, more than half the long-term unemployed found part-time work. In Spain, nearly 40 per cent of all employees are now on temporary contracts compared with an EC average of 9 per cent.

Some labour market economists argue that increasing part-time work does not increase employment overall but repackages a given number of full-time jobs into a larger number of insecure part-time or temporary ones. This argument still finds strong support in Italy, which has the least part-time and temporary work in the EC, and which until last month banned private employment agencies such as Manpower.

It may, indeed, be undesirable to allow temporary work to reach the level it has in Spain, where the government is now offering employers subsidies to convert temporary jobs into permanent ones. But the evidence from France and the Netherlands shows that part-time and temporary jobs are a useful way for employers to test out employees and that they can often lead to full-time jobs.

● The relatively high cost of labour and, in particular, the burden of high payroll taxes. One of the most straightforward reasons for the EC's inferior performance on job creation compared with the US and Japan is pay. The pay of EC workers increased at an average of 4 per cent a year in real terms during the 1980s while in the US and Japan it was virtually static.

The French government has just come up with a novel scheme to offer subsidies to companies where the workers take a cut in real wages to preserve jobs, but it is difficult, in the short-term, for governments to have a direct impact on wage bargaining.

They can more easily do something about the high health and social security contributions paid by employers, as well as reducing their own role in wage setting. The Italian government, for example, has recently abolished the Scala Mobile which linked pay rises to inflation, while the French mini-

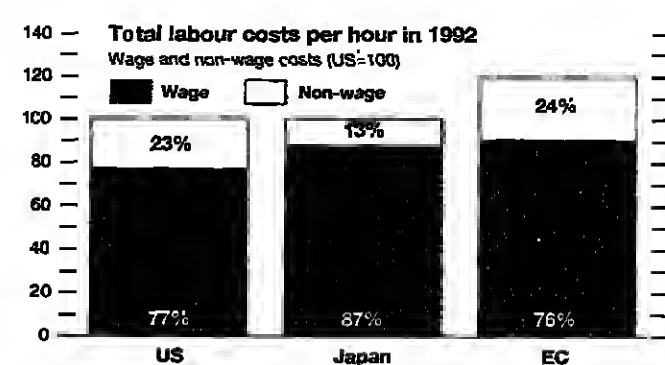
**'Relaxing hiring and firing rules is not the only answer but some countries do need to loosen up more'**

imum wage scheme which, according to many studies, has reduced youth employment, is gradually being phased out.

Payroll taxes on employers, which add on average 30 per cent to the EC's wage costs, are coming under scrutiny everywhere. In Denmark the payroll addition is only 3 per cent and in the UK 13 per cent, but in France, Italy and Belgium the average figure is 45 per cent and often much more for higher paid employees.

"For historical reasons some

## European employment: tough times ahead



countries loaded a large part of the social security burden on employers - there was no other way to collect the revenue," says Mr Peter Burgess of UK pay analysts Incomes Data Services. But the burdens on employers are increasing, not diminishing, the spread of informal employment in many EC countries, especially Spain, Greece and Italy.

Few recession-hit European governments are in a position to carry the burden of payroll taxes themselves. But the Belgian government is trying to reduce the social security contributions of employers in export industries by introducing a national energy tax, and the French government intends to cut employers' contributions to family allowances.

As UK ministers point out, the model for many reforms is the low payroll tax, easier hire and fire, British labour market. For the productivity/low-wage economies of southern Europe the UK may hold lessons. Arguably, the UK has developed a highly deregulated labour market because of its historically open-market economy. Southern European countries have tended to mimic this pattern since joining the EC, and their once highly regulated labour markets are following suit. UK-style flexibility

can also offset disadvantages such as poor education and training and low labour mobility, which beset the southern countries.

However, the British way is less relevant to the high pay and high productivity northern European countries, according to Mr Terry Ward, an economic adviser to the European Commission. In the Netherlands and Germany,

**Getting Europe back to work requires more than just renewed economic growth**

long-term employer-employee commitments at the workplace and centralised pay bargaining, plus the regulations which accompany them, may have contributed to their high value-added economies. While employment in the UK has been riding a roller-coaster - up in the late 1980s and down in the early 1990s - the three countries with the lowest unemployment - the Netherlands, west Germany, and Luxembourg - have all been severely regulated.

● The low labour-intensity of the

service sector. With unemployment rising fast in most northern countries, there is still a case for targeted deregulation, especially in the service sector, which is much less labour intensive in the EC than in Japan or the US. Unless the service sector can absorb the jobs lost in manufacturing, Germany could face persistent structural unemployment, as a result of unification and competitive adjustment. Loosening the regulations governing some jobs - for instance, electricity repairmen and other domestic service providers - could lead to job creation.

"We have cut ourselves off from many of the labour-intensive service sector jobs in Europe by importing immigrants to do them. You just have to compare refuse collection in France, where it is a low status job done by immigrants, with the same job in Sweden, where it is dignified and well paid," says Mr Zygmunt Tyszkiewicz, head of Unice, the European employers' body.

● More efficient targeting of state aid and active labour market policies. The OECD says there can still be an important role for the state through active measures such as spending on training the unemployed, and on financial support for job-sharing.

The Dutch government has led the way on job sharing by insisting that all new employees in the public sector are limited to a 32-hour week. The Belgian government has just agreed that workers over 55 can work half time, receiving a mixture of pay and pension, thereby releasing jobs for the unemployed.

The UK government has abandoned incentives introduced in the early 1980s for public sector employees to split jobs, and has been suspicious of wage subsidies, a relatively inefficient form of job creation. But as the country with the highest overtime in the EC, the UK could examine how to convert some of the overtime into new jobs without upsetting low-paid employees who need the extra money.

Where labour policy activism is higher, long-term unemployment tends to be lower, according to some labour market economists. For example, compulsory interviews and counselling for the long-term unemployed have had positive results in Britain and France, where nearly 30 per cent of those interviewed found either a job or a training place. Job clubs, self-help clubs for the unemployed, have also been a successful British innovation now being copied in Portugal.

An examination of different responses to long-term unemployment in the EC, under the Ergo programme, concluded recently that the creation of businesses and the encouragement of self-employment was more worthwhile than "make-work" schemes - which may come as a surprise to some member states. It also found that counselling measures were the most cost-effective means of getting people back to work.

Counselling is particularly effective in those EC countries where unemployment benefits do not run out after a period of time. Such open-ended benefits, unless carefully designed, can throw up a web of disincentives to work, especially in part-time and temporary jobs. Some people can be dissuaded from taking jobs by the high initial cost of giving up their benefits, and they need "kick to work" grants to bridge the gap, as in Japan.

Getting Europe back to work requires more than renewed economic growth. No EC government wants to emulate the harsher aspects of the US labour market, where two-thirds of employed workers are subject to instant dismissal and far fewer unemployed workers than in Europe qualify for benefits. But all the signs are that the trend of the 1990s towards deregulation is picking up speed. Governments as well as Brussels have grasped the importance of labour market reform and are groping towards a new balance between employment protection and flexibility.

## OBSERVER



"I'd hate to be suddenly made redundant while I was soaring on a tide of optimism"

Community's theme tune, Beethoven's Ode to Joy. A one minute silence might be more appropriate.

## Marking time

Now that Business Week magazine has proclaimed George Soros as the "most powerful and successful investor in the world", it's hard to believe that he will ever have to wait again for an appointment. However, Observer hears that in the past the man who moves

markets and terrifies central bankers has occasionally had to wait his turn. Soros, who has donated a lot of money to fund higher education in eastern Europe, has been making several trips to Oxford to talk to academics and often arrives before student tutorials are finished.

But rather than use the time to check on the fate of the latest currency in his sights, or pen another Op-Ed piece, the world's greatest financier has taken to sitting in the porter's lodge of Holywell Manor, Balliol's graduate centre, and watching cricket. Just goes to show that it never pays to under-estimate the college porter.

## Unlucky

Talk about hard luck tales. There is a real humdinger in the latest issue of The Antique Collector where the Earl Spencer, Princess Diana's brother, outlines "the worst year of my life." The Earl inherited a family business which was losing £450,000 a year when he took over. "Every time I wake up in a cold sweat from the worry of it all, I just think how empty my life would be without the challenge of fighting for the survival of this lumbering endangered species." Apparently, he is talking about the family pile - 13,000 acres plus stately home - rather than the family itself. But it is not all the fault of the Earl's late father or his spendthrift

stepmother, Raine. "My family have always sold the wrong thing" says the 29-year-old Earl. His grandfather bought a Holbein to Baron Thyssen for £10,000 and now it's worth £55m. Worse still a great-great uncle sold three villages in the 1830s. Unfortunately, they happened to be Clapham, Wandsworth and Wimbledon.

## Over zealous

No wonder President Bill Clinton is taking so long filling the empty posts in his administration. Shirley Chater, President Clinton's candidate to head the Social Security Administration, seems to be running into some difficulty after admitting that she failed to pay social security taxes for her part-time teenage babysitters between 1989 and 1995.

It might sound a terrible crime to non-Americans but on the scale of US tax evasion it is not worth mentioning. Indeed, if this litmus test was used to bar all candidates for high office then the US Government might have to consider importing candidates from abroad.

## Spot on

In a bid to catch the mood of the occasion, the European Society for Opinion and Market Research is holding its next seminar on "Consumer Research in the Fragrance Business" in Cologne.







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**INSIDE**  
**Stock market inquiry into bid for Fnac**

The future of Fnac, one of France's largest retail groups, has been put in doubt with the announcement of an official investigation into a bid for control of the group. The Paris stock market watchdog has ordered an inquiry into the FF1.2bn (\$198m) bid for a controlling stake in Fnac, which last month by Altus Finances and Phoenix. Page 15

**Medway admits sale talks**  
Medway Ports, which recently announced its intention to seek a stock market flotation next year, confirmed that "a number of approaches had been received which may or may not lead to an offer for the company". Medway admitted that discussions with one of the unnamed parties thought to be Forti Ports - had reached an advanced stage. Page 14

**Sales jump for Shield**  
Shield Diagnostics, which will be floated on the stock exchange next month, has seen sales increase fourfold in each of the past two years, partly by acquisition, to reach £1.7m (\$2.5m) in the year to March 31 1993. Page 14

**Sound signals from Swiss banks**  
The big three Swiss commercial banks were among the slowest to wake up to the liberalising winds that swept through the world banking industry in the 1980s. But the recent revelation by Union Bank of Switzerland of a SF1.2bn (\$845m) consolidated net income in the first half indicates that they are now among the world's more profitable commercial banks as well as the soundest. Page 15

**Good times for US bondholders**  
Conditions could not be much more favourable to holders of US government securities. Monetary policy is on hold with interest rates near record lows and inflation will probably stay low because the economy is growing so slowly. Page 16

**Denmark's choice surprises**  
The launch last week of a SF1bn Eurobond issue by Denmark came as a surprise to the market. The kingdom, which has been borrowing heavily to replenish foreign exchange reserves, had been expected to opt for the more liquid French franc sector. Page 17

**Prospective p/e ratio**  
The latest prospective p/e ratio for the "500" index for calendar 1993 is 15.1, according to IBES, the consensus estimates service (last week 15). This compares with an IBES estimated p/e for the "500" of 19.9 (19.7) for calendar 1992. The official FT calculation of the historic p/e, based on the latest reported earnings, is 16.79 (16.79).

**Market Statistics**

1000 leading rates	23	London share index	23-25
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**Nadir was offered chance to control RHM**

SOME OF the best-known brands on Britain's supermarket shelves might have passed to Mr Asil Nadir if an audacious plan for control of one of the country's largest food producers had not foundered three years ago. It emerged yesterday that Mr Asil Nadir, the fugitive businessman who earlier this year fled bail for northern Cyprus facing charges of theft and false accounting, was offered the chance to take a substantial stake in Ranks Hovis McDougall (RHM), the milling and baking group, in spring 1990. RHM, which was bought by the conglomerate Tomkins last December, produces goods such as Mr Kipling cakes, Mother's Pride bread, Bisto gravy and Rombouts coffee.

**Andrew Jack reports on an acquisition plan just come to light that would have made Polly Peck 'the bakers to Europe'**  
of Polly Peck International, which entered administration in October 1990. Polly Peck's acquisitive growth in the 1980s brought it brands such as Del Monte, the fresh fruit business, and Sansui, the Tokyo-based electronics company. Sir James visited Mr Nadir with Mr Jim Slater, the one-time stock market guru and entrepreneur. The two men offered Mr Nadir the stake in RHM which was then owned by Sunningdale Holdings, a vehicle controlled by Sir James, Mr Jacob Rothschild and Mr Kerry Packer, the Australian media entrepreneur. The RHM shares were originally

bought for 400p each in May 1989 after a takeover bid launched by Goodman Fielder Wattie, the Australian food group, lapsed the previous year following a referral to the Monopolies and Mergers Commission. The stake was offered to Lord Hanson, but ultimately sold at a loss at the end of January 1991 at just 300p a share. The shares would have offered the chance for a takeover bid and given considerable influence with the board to Mr Nadir. It would have directly given him the power to block extraordinary resolutions, which require the support of 75 per cent of shareholders. Senior executives of Polly Peck at the

time say that Mr Nadir was very excited by the RHM offer and particularly the prospect of acquiring the company's brands. According to one, he said: "We will be the bakers to Europe." He said Sir James and Mr Slater had told him he was the "only person in England" who could take over RHM. Credit Suisse First Boston was commissioned to consider the acquisition. If it had gone ahead, the plan was to sell off the branded businesses and retain the baking operations. But the offer was ultimately rejected because of difficulties in raising the finance, the complexity of RHM, insufficient management

capacity at Polly Peck and Mr Nadir's realisation that he would have had to make a hostile bid. During summer 1990, Polly Peck also came close to offering £250m (\$373.5m) for International Leisure Group, the owner of Air Europe and Intasun which collapsed in March 1991. Polly Peck was approached by Goldman Sachs, the US investment bank, which had been asked by ILG to find a partner as its financial position worsened. It also approached Lonrho, the international trading group. According to former directors, Polly Peck rejected the ILG offer because of substantial potential liabilities on leased aircraft and difficulties in raising the money. Mr Nadir was interested in the airline for flying tourists to his hotels in the near East and to combine with Noble Air, the airline then controlled by his sister.

**Kenneth Gooding reports on the response of continental producers to rising exports from the CIS**  
**Aluminium fence goes up around Europe**

Like many Russians, Mr Igor Prokopyov can become emotional at times. And he gets noticeably cross when anyone suggests that the Commonwealth of Independent States is entirely responsible for bringing the western aluminium industry to its knees. There has been an unprecedented surge in CIS aluminium exports which European producers say has depressed the price to a point where their industry is on the verge of collapse.

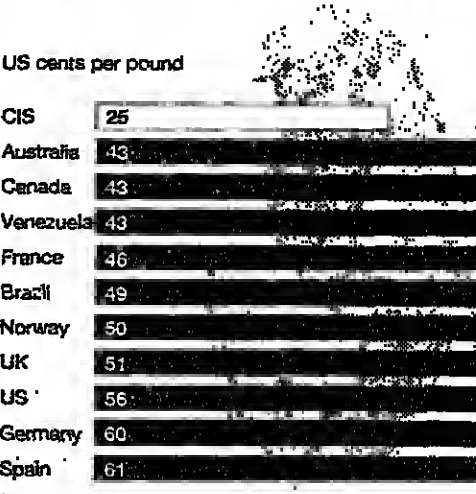
But Mr Prokopyov, president of Concern Aluminium, holding company for the CIS industry, points out that aluminium is a world commodity and there is only one market - a world market. The CIS is an important member of that market and the rest of the industry will have to adjust to that. Japan once was a big aluminium producer, he recalls, but now makes virtually none. The Japanese were forced out in the early 1980s because their costs were too high, particularly their energy costs. Nobody blamed the CIS producers for that, so why blame them now? Mr Prokopyov says most CIS smelters use low-cost hydro-electric power, as do smelters in Latin America and Canada. It is not their fault if smelters in central Europe have to buy relatively high-cost energy, making them high-cost producers.

the few Russian products that has instant appeal in overseas markets. Aluminium has that same appeal. Russia and some other parts of the CIS can produce top-quality aluminium - much of it used to go into military and aerospace equipment - which is readily convertible into dollars. Smelter managers prefer to export to earn dollars instead of being paid by domestic customers in rapidly depreciating rubles. Their smelters are not just making metal - they provide the sole support for whole communities, including schools and hospitals. Dollars earned provide food, medicine, school books, not just raw materials and smelter equipment.

Concern Aluminium estimates that \$250m to \$300m a year raised from aluminium exports is spent by the industry in the CIS. Nevertheless, the Commission has responded to pleas for protection from European producers who claim that CIS imports have depressed aluminium prices to their lowest ever level in real terms and to a point where some smelters are not earning enough to cover cash production costs. The European industry has been forced to make expensive production cuts - 80 per cent of the 1.1m tonnes of western capacity cut so far in Europe.

Part of the Commission's explanation for its action was: "Aluminium produced in CIS states enjoys the huge advantage of artificially low energy prices and environmental standards that are far less strict than those in western countries." Nobody disputes that environmental standards in CIS smelters are appalling. If Russia's own

**Aluminium production costs**



Source: Anthony Bird Associates

Mr Prokopyov becomes particularly agitated at suggestions that the CIS is dumping aluminium in the west. How can this be, he asks, when all official CIS con-

tracts are linked to the world market set by the London Metal Exchange and most of the export is handled by reputable western trading companies? His spirited defence cuts little ice with the European Commission which last week imposed restrictions on CIS aluminium imports, insisting that only 60,000 tonnes may be imported between now and the end of November - about half of what might otherwise have been expected. Mr Prokopyov says this makes no sense. Putting a fence between Europe and the CIS will not work - the metal is a global commodity that will simply enter the world market elsewhere. The restrictions make even less political sense when the world's industrialised countries are dismantling trade barriers and attempting to help the CIS transform to a market economy.

Western analysts suggest that the CIS produced about 2.7m tonnes of aluminium last year, down from 2.9m tonnes in 1991. It exported about 1m tonnes, of which nearly 600,000 tonnes went to other parts of Europe. At the end of the 1980s the former Soviet Union was exporting only 200,000 tonnes, of which 124,000 tonnes went to western Europe. Even though chaotic conditions in the CIS cut demand for aluminium from 2.6m to 1.8m tonnes last year, there were still shortages of the metal. The fish canning industries in Russia and the Ukraine complain that there is not enough available. Among other things, the metal is also used for canning caviar, one of

Alcoa discovered that conditions were so poor in some Russian smelters that a worker's average life expectancy was only 47 years. regulations were imposed, all its smelters would close down. A team from the Aluminum Company of America (Alcoa) discovered that conditions were so poor in some Russian smelters that a worker's average life expectancy was only 47 years. The European industry wonders if it makes any sense to close relatively modern smelters in the west to allow the CIS mon-

sters to continue operating? As for costs, the Russians claim they produce aluminium at about \$500 a tonne. But energy costs are heavily subsidised and labour rates range from one US cent to two cents a pound - less than those in most developing countries. Industry consultant Mr Anthony Bird estimates that, added by these "astonishingly low" input prices, CIS smelters in mid-1992 were producing aluminium for about 25 US cents a lb - well below the 53¢ costs average at smelters in the rest of the world. But by the year 2000 only one or two smelters would still be competitive if the CIS continued to move towards a market economy. The western industry says it cannot wait that long for relief. However, it is split about what action should be taken. Until last week US producers were not asking for protection - but said the EC action might force them to do so.

In something as complex as the British government machine it is impossible to avoid some conflict between different policy objectives. But a potentially damaging conflict is emerging in a field close to the government's heart: non-wage labour costs. These costs have always been relatively low in Britain because healthcare and much of welfare spending is paid for out of general taxation. Several continental European countries, by contrast, impose high pay-roll taxes on employers and employees. According to the European Commission, non-wage labour costs add an average of 30 per cent to employment costs in the EC. The figure approaches 50 per cent in Germany, France, Italy and Belgium, but is only 13 per cent in Britain, primarily national insurance. The government believes that low non-wage labour costs, combined with relatively light labour regulation, are an important part of the UK's comparative economic advantage. The small "tax" on jobs contributes to a high proportion of adults in work as well as leveling in a disproportionate level of inward investment. The "opt-out" from the Maastricht Treaty's social chapter on minimum employment rights, apparently a policy triumph for prime minister Mr John Major, was fought for on the grounds that it allowed Britain to hang on to its low non-wage labour costs. Yet much of what the government is doing, or planning, runs counter to this review of merit. In the current review of public spending, ministers openly speculate about transferring welfare costs from the state to individuals and employers, threatening to send non-wage labour costs climbing. And, curiously, if more costs were to be transferred to employers, it would be consistent with what has actually

**A government dilemma over labour costs**

happened over the past 10 years. In the early 1980s the government abolished the redundancy fund, which allowed employers to claim back the costs of statutory redundancy pay. In 1991 employers were made responsible for paying 20 per cent of statutory sick pay benefits. Just last week the government announced that employers would have to foot the bill for improvements to maternity pay required by a European directive. The government also

said for pay-roll taxes. From an employee's point of view they may help to protect welfare payments from the vagaries of government spending. From an employer's point of view they help to reduce unwanted labour turnover by locking-in employees. But that also creates a "lock-out" effect for the unemployed by increasing the fixed cost of employment. In any case even in countries with low statutory pay-roll costs, employers can provide discretionary benefits such as private health care and company cars to those employees they want to lock in. Several continental European countries are currently trying to unload some of their pay-roll taxes on to general taxation. Belgium is trying to reduce employers' social security contributions in export industries by introducing a national energy tax and the new French government wants to cut the family allowances that employers have to pay. Low non-wage labour costs are vital for Britain's "work-sharing" economy, in which part-time employment plays an important role, because employers are relatively indifferent as to whether they employ a large number of people for short periods or a smaller number for long periods.

**Paribas sets up unit for derivatives**

By Tracy Corrigan in London  
BANQUE Paribas, the French bank, plans to set up a new unit to guarantee its derivatives business. It will be the first separately capitalised derivatives unit created by a European bank, following a trend started by Merrill Lynch and Salomon Brothers. Financial institutions with weak credit ratings have found themselves at a competitive disadvantage to top-rated banks in the highly credit-sensitive but lucrative derivatives market. The crunch comes when their ratings fall to single-A, as many firms are limited by internal restrictions to dealing with credits rated double-A and above. Banque Paribas is rated A2 by Moody's and A by Standard & Poor's. S&P assigned the new unit a preliminary rating of triple-A on Friday. Credit quality is particularly significant in the \$4,000bn over-the-counter market in swaps and options, because exposure to a counterparty is often over a long period. The new Paribas unit, Paribas Derivatives SNC, is 99.9 per cent owned by Compagnie Financière de Paribas. The unit will act as a guarantor, rather than a counterparty. Paribas the structure had been chosen to allow clients to continue to deal with Banque Paribas, a regulated bank. The Commission Bancaire, the French bank regulator, has approved the structure. The initial amount of capital backing the unit is FF800m. Like Swapco, the total capital will be adjusted regularly according to the commitments of PDG.

**Economics Notebook**  
By David Goodhart

plans to cap the reimbursement employers receive for employing disabled people and will require employers to deduct child support payments from recalcitrant fathers. (In the case of the maternity directive and the disablement cap the government will be creating disincentives to pursue its own equal opportunities goals). The government's response is to point out that most of these burdens are short-term and inexpensive. The extra maternity payments are, for example, said to be just 0.02 per cent of Britain's wages bill. The government would also argue that, thanks to the social chapter opt-out, non-wage labour costs will be rising from a low base. But it is the trend that is worrying. According to the government's own figures, non-wage labour costs have

doubled over the past 20 years. And the administrative burden is often more important than the direct cost. Already employers have to deal with PAYE for the state and, encouraged by the government, about half of all employees are in company pension schemes. These have, until recently, produced great financial benefits for many companies, but still impose a considerable administrative cost. "Despite its rhetoric the government seems to be drifting towards the discredited continental European model of employer-based welfare," warns Mr Ira Chelphin of the Institute of Directors. It is not only employers' organisations which complain about new overheads. There is a consensus among labour market analysts that shifting the welfare burden away from employers is good for employment and labour market flexibility. The latest OECD Employment Outlook says that the financing of social security systems should switch from payroll taxes to other taxes that "have a less unfavourable impact on employment". Even the European Commission's Employment in Europe report, normally more sympathetic to continental European labour markets, says that high employers' contributions encourage the black economy. There are some things to be

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## Probe into FF1.2bn bid to take control of Fnac

By Alice Rawsthorn in Paris

THE FUTURE of Fnac, one of France's largest retail groups and the leading force in the music and books market, has been flung into doubt with the announcement of an official investigation into a bid for control of the group.

The Commission des Opérations des Bourses (COB), the Paris stock market watchdog, has ordered a formal inquiry into the price of the FF1.2bn (\$198m) bid for a controlling 54.78 per cent stake in Fnac tabled last month by Altus Finances, a subsidiary of the Crédit Lyonnais banking group, and Phénix, the property company owned by the Générale des Eaux industrial concern.

Altus and Phénix agreed a deal under which they have an option, until October 11, to buy the stake from Garantie Mutuelle des Fonctionnaires (GMF), the financial group that owns 80 per cent of Fnac. At FF2.228 a share the deal values Fnac at FF2.4bn.

The option means that GMF, which needs to raise cash to compensate for losses in other businesses, has until October to find alternative capital, should it decide to retain control of Fnac.

Fnac, which owns 40 shops in Europe, made net profits of FF156m on sales of FF5.2bn in its last financial year. It dominates the music and books market in France, where it has been embroiled in a high-profile battle against Vir-

gin, the UK leisure group which is making inroads into French retailing.

GMF's financial problems were well-publicised and a number of other retail groups, including Pinaut-Printemps in France and Bertelsmann of Germany, had expressed interest in Fnac before the announcement of the Altus/Phénix deal.

Mr François Pinaut, founder of Pinaut-Printemps, has since confirmed that he would still be interested in investing in Fnac.

The Altus/Phénix bid has been put on ice until the COB investigation is completed. A provisional completion date has been set for early September. In the meantime, Fnac's shares will remain suspended.

## Group loss at Banesto for first six months

By Peter Bruce in Madrid

BANESTO, the big Spanish banking group, has reported a consolidated loss of Ptas130m (\$910,000) for the first half of 1993, compared with a group profit of Ptas32.7bn in the same period last year.

The first-half figures, which include the Banesto parent, its affiliated banks and its big industrial holding company, were released two days after Banesto announced it had completed a record Ptas49bn consolidated increase.

The first-half figures are not surprising as Banesto has been making big provisions and weaker profits from its banks have not been enough to cover losses in the industrial group as Spain has sunk further into recession.

The banking group reported first-half profits earlier this year of Ptas7.7bn, down 82.8 per cent on 1992.

While the consolidated figures also show that Banesto is having some trouble containing operating costs, the first-half loss is nevertheless a sharp improvement on the Ptas4.4bn deficit reported for the first three months of this year.

Banco Central Hispano made a net profit of Ptas36.6bn in the first half of the year, a 6.6 per cent increase on 1992.

The bank said that it had allocated Ptas4.6bn to depreciation and provisions, a 46.4 per cent increase on last year.

## Swiss wake up to winds of change

Exchange-rate turmoil has reinforced traditional safe-haven status

THE SWISS, according to a joke they like to tell against themselves, get up early but they wake up late.

The big three Swiss commercial banks - Union Bank of Switzerland (UBS), Credit Suisse and Swiss Bank Corporation (SBC) - were among the slowest to wake up to the liberalising winds that swept through the world banking industry in the 1980s.

Comfortable in their protected home market, they were content to make modest returns on their exceptionally strong capital bases.

But the revelation by UBS last Thursday of first-half consolidated net income of Sfr1.25bn (\$845m) - 40 per cent of it coming from overseas operations - indicates that they are now wide awake and among the world's more profitable commercial banks, as well as the soundest.

Credit Suisse will report its first-half result on Wednesday and SBC on September 2. Both are expected to reveal profit growth similar to the 89 per cent surge at UBS.

The transformation at these banks dates from about two years ago, when their traditionally dependable profit streams were coming under increasing threat and the need to cut costs and develop new sources of income became pressing.

In Switzerland, they were forced to break up the pacts by which they long shared dominant positions in the lush domestic securities markets. And with the end of the cold war and the stabilisation of west European currencies, it looked as if the country's role as a safe haven for capital was becoming obsolete. Meanwhile, a deepening domestic recession was exposing the excessive commercial banking capacity in the Swiss market.

Like the Japanese, the Swiss take a long time to get moving, but once they do, they tend to move quickly. In the past couple of years, more than 60 banks have disappeared, and CS Holding, the parent company of Credit Suisse, virtually completed the process of domestic rationalisation in April with its Sfr1.6bn acquisition of Swiss Volksbank.

Abroad, the three turned equally decisive. In 1991, after seven years of struggle, UBS finally began to see some prof-

its from its acquisition of Phillips & Drew in London.

Coincidentally, Credit Suisse was hauling out its first Boston investment banking subsidiary in New York and SBC was forming what has turned out to be a highly profitable alliance with O'Connor, the Chicago derivatives partnership.

franc rate has plunged to 4.5 per cent.

While banks in other European countries are only beginning to be able to widen their spreads, Swiss banks have been doing so for nearly a year. In its typically cautious way, UBS managed to hide much of the positive impact.

continued to be active in the first half, as the yen rose against the dollar and various European currencies were under pressure against the D-Mark.

Bond markets have risen and the London stock market, where UBS is a leading participant, was also buoyant. The Swiss stock market has been a spectacular performer, with a 26 per cent advance in the all share Swiss Performance Index since the beginning of the year.

Analysts were fulsome in their praise for UBS. A couple worried about the excessive contribution of volatile trading income to profits, but Mr Derek Bullman of London broker James Capel said any reduction in trading income in the near future would be offset by continued recovery in other operations and reduced provisions. "I am not worried about the bottom line at all," he said.

Analysts are also confident that Credit Suisse and SBC have benefited from the same factors that lifted the UBS result. "Credit Suisse has already been getting a larger portion of its earnings from securities and commissions than the other two," Mr Hans Kaufmann, head of Swiss brokerage research at Bank Julius Baer in Zurich, pointed out.

However, special factors make it difficult to estimate the results from both. Credit Suisse figures will include for the first time the activities of Swiss Volksbank, and no one knows how rationalisation costs or the roughly Sfr400m of "badwill" acquired as a result of paying less than book value will be treated.

SBC profits should show the highest growth rate, but only because they will be compared with an exceptionally poor first half of 1992. Net income from operations plunged 30 per cent to Sfr758m then, mainly because of the costs of reorganising the group's Swiss private banking subsidiaries and of integrating O'Connor.

The shares of all three banks have performed extremely well this year, and analysts, while still confident of further profit growth, are becoming cautious about recommending them. "They are not yet overvalued, but they will probably have a bit of a pause," predicted Mr Daniel Koenig, banking analyst at Pictet in Geneva.

Once content with modest returns from their protected home market, SBC, UBS and Credit Suisse are now among the world's most profitable banks, reports Ian Rodger

By the first half of this year, these efforts were paying off handsomely, as the UBS results show. But the Swiss have also been very lucky.

Fiscal troubles in Germany, political upheaval in Italy, explosions within the European exchange rate mechanism - this is the stuff on which safe havens thrive. Since last summer, huge sums of money have poured into Swiss banks, mainly from Germany and Italy, but also from other European countries.

This enabled the Swiss National Bank to start lowering interest rates long before its counterparts in other continental European countries. From a peak of more than 9 per cent in May of last year, the three-month Euro-Swiss

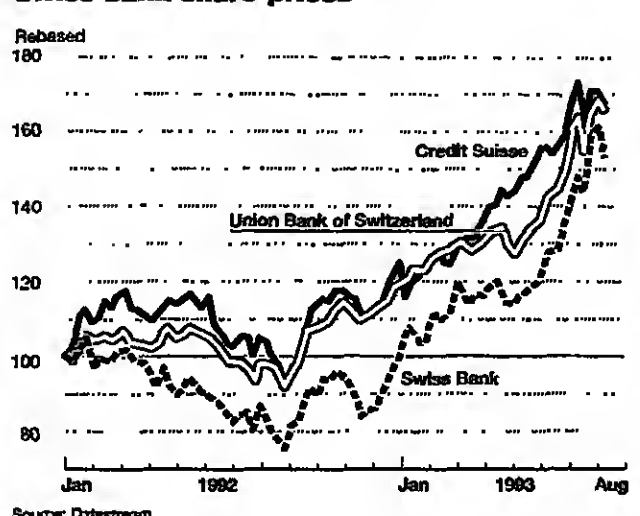
recording only a modest 10.9 per cent gain in net interest income in the first half.

(UBS raised its bad loan provisions in the first half by Sfr265m, rather more than the Sfr188m by which it raised its net interest income. For a bank that was shrewd enough to avoid any exposure to Robert Maxwell, Polly Peck and Olympia & York, this performance is, to say the least, implausible.)

But the main contributor to the UBS profit gain was trading. The bank's profits from securities and foreign exchange trading soared by 144 per cent in the first half to Sfr1.55bn, due to an extraordinary combination of positive forces.

Foreign exchange markets

Swiss bank share prices



## Laurentian ahead at C\$15.8m

By Robert Gibbens in Montreal

LAURENTIAN Group, the Canadian financial services company being merged with the larger Movement Desjardins, reported first-half net profit of C\$15.8m (US\$12m), or 25 cents a share, up from C\$14.3m, or 23 cents, a year earlier, on revenues which were little changed at C\$1.4bn.

Second-quarter profit was equal to 12 cents a share, compared with 10 cents last time.

The group's assets rose to C\$15.7bn at June 30, with the expansion of the Laurentian Bank.

The life and general insurance units improved their results sharply.

Imperial Life, Laurentian's biggest single unit, doubled first-half profit to C\$1.1m, or \$5.89 a share, on revenues of \$569m, up from \$561m.

With the merger due to be completed next month, Laurentian and Desjardins will put their financial services units into a new holding company to be minority-held by the public.

The total combined group, including the Desjardins credit union branches, will have assets of nearly \$80bn, including funds under management. It will rank as the sixth-largest

banking and financial services group in Canada.

Abitibi-Price, Canada's biggest newspaper producer, is raising between C\$100m and C\$125m with a public offer of common stock next month.

The issue is being underwritten by a group led by the brothers Nesbitt Thomson, and will consist of between 8m and 10m shares priced at C\$12.75 each. The offer is not being registered in the US.

Proceeds will be used to repay short-term debt and bolster working capital. Abitibi already has the lowest debt-equity ratio in the Canadian forest products industry.

## United Airlines files complaint

UNITED Airlines, the large Chicago-based carrier, has filed a complaint against the Australian government with the US Department of Transportation, alleging the Australian authorities have "unlawfully restricted" the airline's proposed new New York-Tokyo-Sydney service, writes Nikki Tait in New York.

United has been seeking for several years to fly the north Pacific route, a service which, it argues, is permitted under the bilateral aviation agreement between the countries.

## Sumitomo Chemical to resume production of epoxy resin

By Gordon Cramb in Tokyo

SUMITOMO Chemical, supplier of most of the epoxy resin used in making the world's semiconductor, expects to resume production around the end of the year after an explosion last month halted output at its plant in south-western Japan.

Spot prices for memory chips soared as a result of the accident, and the share price of Nippon Kayaku, the other main Japanese supplier of the material, reached new highs

last week after it announced that it was increasing capacity. Sumitomo initially expects to bring back on stream one of the two production lines at its factory in Nihama, which accounted for about 60 per cent of the world market for epoxy resin.

Sumitomo Chemical says the episode will have no material impact on its earnings, although it has declined to make a forecast for this year. The company slipped into loss for the first half to June.

## Malaysian bank increases profits

MAYBANK, Malaysia's biggest banking group, has announced pre-tax profits for the year to June 30 of M\$791.5m (\$309m), a rise of more than 40 per cent, writes Kieran Cooke in Kuala Lumpur.

The increase reflects the strong performance of the Malaysian economy, which has grown by more than 8 per cent in each of the last five years.

The bank is proposing a one-for-two bonus issue in order to increase authorised share capital from M\$1bn to M\$2bn.

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## INVITATION TO TENDER

**The Hungarian State Property Agency**

Announces the sale of shares in the **First Hungarian Hemp Industry Ltd.** transformed from Szeged Hemp Factory Co. owned by the state on a public one turn tender for realisation.

We hereby inform those inquiring, that the **First Hungarian Hemp Industry Ltd.'s own capital is 779,693,000 forints, their registered capital is 373,650,000 forints from which 50.1% comes to realisation.**

For the purchase of the share package, the compensation ticket and E-credit is available, but the privatisation expense (which comes to 3,000,000 forints) can only be paid in cash.

The bids must be presented to the indicated address in 5 copies and must be contained in a sealed envelope without the indication of the addressee. The original copy of the tender must be indicated.

The applicants bid must remain valid for 90 days.

The deadline of the arrival of tenders is: **September 30, 1993.**

The place of presentation:

State Property Agency  
Central Administration Department  
Budapest XIII.  
Pozsonyi Str.56.  
Hungary

The State Property Agency reserves itself the right to declare the tender null and void.

The condition of the presentation of tenders is the purchase of the detailed bid material including the announcement of tender, for 12,000 forints + AFA (TVA) at the **Administration Department of the State Property Agency under the address: XIII, Pozsonyi Street 56, against a secrecy declaration.**

For more information please contact Dr. István Molnár senior counsellor (Industry II. Directory of Privatisation).

Telephone number: 269-3600/ ext. 1576

## CALL FOR TENDERS

**SPA Hungarian State Property Agency**

offers for sale the state-owned shares in **HEAVYTEX New-Szeged Textile Co.** in an open one-round competition

We hereby inform those inquiring, that the **HEAVYTEX New-Szeged Textile Co.'s own capital is 620,068,000 forints, their registered capital is 450,000,000 forints from which 50.1% comes to realisation.**

Compensation Bills and E-loans are acceptable although the Privatisation Cost (amounting to Three Million HUF) shall be payable in cash.

The offer must be made binding upon the bidder for 90 days.

The tenders are to be made in 5 copies with the original marked as such and they will be received at:

Állami Vagyongügynökség  
KÖZPONTI IRTATÓ  
H-1133 Budapest  
Pozsonyi u. 56  
Hungary

up to the

30th September 1993

in sealed envelopes bearing no mark or indication of the sender.

SPA reserves the right to declare the competition unsuccessful.

As a prerequisite condition the Tender Specification including detailed information must be purchased. It is available against HUF 12,000 + AFA (TVA) and a Trade Secret Liability Declaration at Állami Vagyongügynökség, Information Service, Budapest XIII. Pozsonyi u. 56.

Senior counsellor Dr. István Molnár of the Privatisation Department IPAR II shall be glad to oblige with further details over Phone No. [36-1] 269-8600 / extension 1576

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Frankfurt/Main, August 1993

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## INTERNATIONAL BONDS

## Denmark deal highlights progress of Switzerland

THE LAUNCH last week of a \$1.1bn Eurobond issue by the Kingdom of Denmark has highlighted the steady progression of Switzerland from a bond market dominated by retail investors into one which can satisfy the requirements of large borrowers and institutional investors.

Denmark's six-year offering, which rivalled the record for a single Swiss bond transaction set by the Republic of Austria at the end of June, came as a surprise to the market.

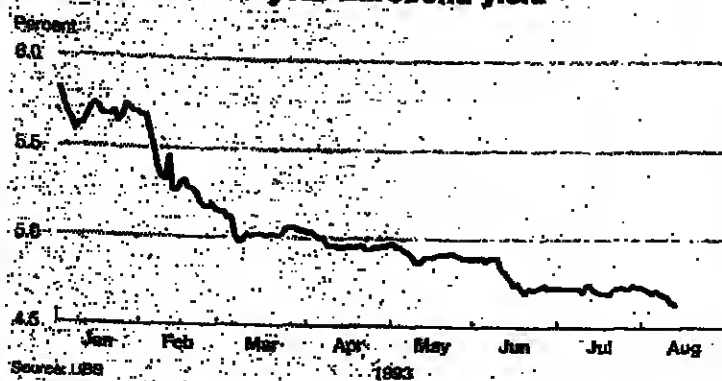
The kingdom, which has been borrowing heavily to replenish foreign exchange reserves depleted by the heavy currency intervention to restore stability to the European exchange rate mechanism, had been expected to opt for the more liquid French franc sector.

The two big sovereign deals have encouraged syndicate managers at the Swiss banks, especially since they have been making a concerted effort to convince international borrowers that the Swiss bond market is capable of accommodating large bond issues.

Another feather in their cap is the \$1.1bn, 10-year offering from the Inter-American Development Bank which was launched in July.

The syndicate managers are con-

## Swiss generic 10-year Eurobond yield



firmly that it will only be a matter of time before "the right issuer at the right price" can push the record for a single transaction in the Swiss bond market up to \$1.25bn.

"The Swiss bond market is receptive to excellent names," says one manager.

The market anticipates that several more sovereign and supranational borrowers will tap the market in the coming weeks.

Certainly, the Swiss banks' marketing campaign has been helped by a series of measures by the government and the Swiss National Bank in the last year to liberalise capital

markets, ranging from cutting turnover tax to relaxing syndication regulations.

The impact of the measures has been to reduce dramatically the cost to both the issuer and investor. This in turn has made the foreign sector much cheaper than the domestic market, hence increasing volume and liquidity.

Total new issue volume in the Swiss bond market in 1993 to date has been \$12.3bn, compared with a total of \$12.1bn for the whole of 1992.

The turbulence in the European exchange rate mechanism has also

worked in the favour of the Swiss bond market, as investors took refuge in the relative safety of the Swiss franc.

Although the foreign money did not necessarily go into the bond market, bankers said the inflow had a positive impact on the market's liquidity.

The currency's consequent appreciation has increased expectations of lower interest rates in Switzerland, which in turn has resulted in a significant drop in bond yields. Some economists expect Swiss short-term rates to fall to 4 per cent by the end of the year from their current level of around 4.55 per cent.

UBS, which arranged Denmark's offering, is particularly positive on interest rates and its stance is reflected in the pricing of the bonds. They carry a coupon of 4.25 per cent, which compares with a coupon of 4.5 per cent on Austria's bonds which have a 6½ year maturity.

Inevitably, this has prompted some criticism in the market, especially among those who believe that Swiss interest rates have reached a plateau and that the Danish offering was unrealistically priced.

"The pricing is anticipating a fall

in interest rates well in advance of the event," one banker said.

Officials at UBS reject this criticism and say they are confident that the entire issue will be placed by the payment date on September 30, and that by then its yield will look more attractive.

Irrespective of when the next interest rate cut will occur, investors are increasingly taking the view that Swiss interest rates are close to their floor.

Therefore most of the recent issues do not have a maturity of more than seven years. "Investors believe that interest rates will be higher in four or five years," one banker said.

In spite of their recent achievements, however, Swiss syndicate managers are careful not to get too carried away.

They note that the recent spate of offerings, and the prospect of some more large deals in the pipeline, has prompted most of the houses to over-supply in the primary market.

Furthermore, the syndicate managers report that investors have been switching out of the Swiss bond market and into other higher-yielding markets elsewhere in Europe.

Antonia Sharpe

## RISK AND REWARD

## Spate of call-warrant issues as gold loses some of its lustre



The decline in the price of gold in recent weeks has coincided with a spate of issues of gold warrants by banks. Most have been call warrants, allowing holders to buy gold at a predetermined price. Essentially, call warrants are attractive to investors with a bullish view on the gold market.

Deutsche Bank, Swiss Bank Corporation, Union Bank of Switzerland and Credit Suisse Financial Products are among the houses to have issued one or more series of warrants in the past two weeks.

So why has heavy issuance of warrants coincided with the market's decline, after the price of gold rallied from around \$330 at the start of the year to just over \$400 at the beginning of this month? And why has it come at a time when most analysts have decided that inflation, against which gold is often used as a hedge, is less of a problem than they had thought?

The cynical answer is that the banks which issued (or wrote) the warrants felt that the rally was over and they stood to earn handsome returns by writing warrants without hedging their positions.

However, there does seem to be demand for the warrants, both among continental European retail investors and some institutions.

Investors tend to buy warrants - which are essentially long-dated options - when they are less sure of their view on the market. An investor holding a call warrant stands to lose the cost of the warrant - or premium - if the market moves the wrong way, but an outright purchase of gold leaves an investor with potentially unlimited exposure if the market collapses.

Consequently, for investors who still believe gold could rally further, but are not fully convinced, warrants offer an attractive alternative. They also allow investors to take a view on the market using only a small investment and maximising the amount of leverage.

One analyst said that some investors with bond portfolios had bought gold warrants as a hedge against inflation. There is a growing wave of opinion that inflation in the most developed economies is

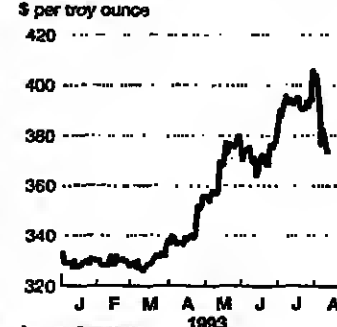
likely to remain low, and many investors have positioned themselves by taking large positions in the bond market. However, a hedge against inflation could prove a useful insurance policy if their expectations are disappointed.

Institutions may prefer to buy over-the-counter options on gold, rather than warrants, because OTC options can be structured to suit their needs. But the advantage of warrants is that they can be traded, since the banks that issue them are committed to making a market.

Gold warrants can therefore be an attractive tool for taking a speculative position that the gold market will rally. A number of analysts are still quite positive on the prospects

## Gold price

\$ per troy ounce



Source: Datastream

for gold. "Our view is that this pull-back is a bit greater than we would have thought, but it is not unexpected," said Mr Michael Coulson, at Credit Lyonnais.

There are still reasons to believe that the market's potential is capped by factors such as potential selling by central banks, which need to shore up their foreign exchange reserves. Further, the inflation potential of OECD countries is indeed restrained.

But gold is one of the most international markets, and active buyers can be found in countries where there are substantial fears about the inflationary outlook. In OECD countries, some analysts believe low interest rates will encourage investment in commodities, since investors are sacrificing only a small loss of income by buying gold.

Tracy Corrigan

## NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Maturity	Coupon %	Price	Yield %	Launch spread bp	Book runner
<b>US DOLLARS</b>							
Trans Commerce	100	Aug 1997	1.5	100	-	-	Nikko Europe
Continental Bank Corp	50	Aug 1998	(a)	99.75	-	-	Merrill Lynch Int.
Credit Overseas Bank	150	Sep 1998	8	99.75	-	-	Salomon Brothers Int.
EDK Green Acres Funding	118	Aug 1998	(a)	99.95	-	-	Goldman Sachs
General Electric Capital Corp.	150	Aug 2008	6.375	98.75	6.407	+66 (54%-03)	Kidder Peabody Int.
<b>D-MARKS</b>							
Deutsche Finance (Naha)	100	Sep 1997	8	101.75	5.501	-	Deutsche Bank
Commerzbank Oases Finance	500	Sep 1998	8	101.2	5.717	-	Commerzbank
Bayern Hypo Finance, Naha	500	Sep 1998	8	101.1	5.741	-	Bayernische Hypothek
Trinkaus & Burkhart Finance	150	May 2000	6.25	101.875	-	-	Trinkaus & Burkhart
<b>STERLING</b>							
First 2, senior notes	170	Jul 2005	(a)	99.83R	-	-	Baring Brothers & Co.
Daily Mail & General Trust	50	Sep 2003	5.75R	100	-	-	CSFB
<b>FRENCH FRANCS</b>							
Crédit Foncier de France	750	Jul 2003	6.75	101.25R	6.570	+28 (54%-03)	CCF SBC France
Eurofin	400	Oct 1994	6.4	100.7R	5.890	-	OCF
<b>YEN</b>							
Crédit Oases Bank (Daymark)	100n	Aug 1998	(a)	100R	-	-	Nomura International
CCF Luxembourg	50n	Dec 1998	0	100.25R	-	-	Mitsubishi Finance Int.
Tokai Finance (Tokai)	50n	Jan	0	100	-	-	Nikko Europe
Mitsui & Co. (USA)	50n	Dec 1998	3.9	100.25R	-	-	Sekura Finance Int.
Indici Corp., Series 2	50n	Dec 1997	3.55	100.25R	3.48	-	DNB International
Indici Corp., Series 3	50n	Dec 1997	4.35	100.25R	4.28	-	DNB International
<b>CANADIAN DOLLARS</b>							
St. Aust. Govt. Fin. Auth.	100	Oct 2003	7.375	98.6R	7.590	+50 (74%-03)	Hambros Bank
St. Aust. Govt. Fin. Auth.	25	Oct 2003	7.375	97.825R	7.725	+48 (74%-03)	Hambros Bank
<b>ITALIAN LIRA</b>							
Abbey Natl. Treasury Serv.	500n	Aug 2000	10	104.175	-	-	JF Morgan
<b>SCANDINAVIAN DOLLARS</b>							
Kingdom of Sweden	100	Jun 2000	7.25	104.58R	6.402	-33 (54%-00)	M Stanley/Swiss Bk Corp.
General Electric Capital Corp.	200	Aug 2000	6.375	99.45R	6.475	-28 (54%-00)	Goldman Sachs Int.
<b>AUSTRALIAN DOLLARS</b>							
Primary Ind. Bank of Australia	50	Sep 1998	7	101.25	6.698	-	Hambros Bank
<b>DANISH KRONER</b>							
Finance for Danish Industry	300	Sep 1998	6.625	100.385R	6.530	-	Chemical Investment Bank
Omsundforbidselsen	500	Sep 1998	8.5	102.05	6.013	-	Den Danske Bank
Kommunekredit	500	Sep 1998	8.5	100.458R	6.391	-	Morgan Stanley Int.
<b>HONG KONG DOLLARS</b>							
Intl. Finance Corp.	750	Sep 2000	6.555R	100.37R	6.488	-	Serwa Intl. HW Wardley
<b>SWISS FRANCS</b>							
Sekura Co. (a)	40	Aug 1997	1	100	-	-	Yamaichi Bank (Switz.)
Deutsche Finance (Naha)	250	Sep 2001	2.5	100.5	-	-	Deutsche Bank (Swiss)
Ademco Co. (a)	70	Aug 1997	0.875	100	-	-	Nikko Bank (Swiss)
Abbey Natl. Treasury Services	150	Sep 1998	4.5	101.75	3.871	-	Credit Suisse
Kingdom of Denmark	10n	Sep 1999	4.25	101.2	3.928	-	UBS
World Bank	300	Sep 2000	4.25	102	3.818	-	UBS
ABB Intl. Finance	100	Sep 1998	4.375	101.7	3.785	-	Credit Suisse

# FINANCIAL TIMES CONFERENCES

## FINANCIAL REPORTING IN THE UK

London, 27 September 1993

The conference will review the recent changes proposed by the Accounting Standards Board and their impact on reported company profits and balance sheets from the point of view of all the interested parties.

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**Sir Bryan Carsberg**  
Accounting Standards Board

**Mr Peter Holgate**  
Coopers & Lybrand

**Mr Ken Wild**  
Touche Ross & Co

**Mr David Damant**  
Credit Suisse Asset Management

**Mr Nigel Stapleton**  
Reed Elsevier plc

**Mr Edwin Glasgow QC**  
Financial Reporting Review Panel

**Mr Paul Rutteman CBE**  
Ernst & Young

**Mr Mike Townsend**  
Rolls-Royce plc

**Mr James Carty**  
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**Mr Jim McCaughan**  
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in association with  
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Company/Organisation \_\_\_\_\_  
Address \_\_\_\_\_  
City \_\_\_\_\_  
Post Code \_\_\_\_\_ Country \_\_\_\_\_  
Tel \_\_\_\_\_ Fax \_\_\_\_\_  
Type of Business \_\_\_\_\_ HA \_\_\_\_\_

### ABBAY NATIONAL

Barclays de Zotte Wedd was lead manager to Abbey National Treasury Services plc in the issue of £150,000,000 7.50 per cent guaranteed notes due 1998.

July 1993

### British Gas

Barclays de Zotte Wedd was lead manager to British Gas International Finance B.V. in the issue of US\$250,000,000 6.25 per cent guaranteed bonds due 2003.

July 1993



Barclays de Zotte Wedd was lead manager to European Investment Bank in the issue of ECU 650,000,000 7.75 per cent bonds due 2000.

March/April 1993

### ABN-AMRO

Barclays de Zotte Wedd was lead manager to ABN-AMRO Australia Limited in the issue of A\$100,000,000 7 per cent guaranteed notes due 1998.

July 1993



Barclays de Zotte Wedd was lead manager to Banque Nationale de Paris in the issue of Can\$150,000,000 7.75 per cent notes due 2003.

April 1993



Barclays de Zotte Wedd was lead manager to National Australia Bank Limited in the issue of A\$100,000,000 7.75 per cent notes due 1998.

March 1993













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FT Managed Unit Trust Prices: dial (0891 or 0336) 430000, enter 4 and key in the five digit code listed below. Calls are charged at 36p/minute cheap rate and 48p/minute at all other times. International access available by subscription only. For more details call the FT Cityline Help Desk on (071) 873 4378.

Code	FT Price	Old Price	Unit Price	City Line
01	1.00	1.00	1.00	1.00
02	1.00	1.00	1.00	1.00
03	1.00	1.00	1.00	1.00
04	1.00	1.00	1.00	1.00
05	1.00	1.00	1.00	1.00
06	1.00	1.00	1.00	1.00
07	1.00	1.00	1.00	1.00
08	1.00	1.00	1.00	1.00
09	1.00	1.00	1.00	1.00
10	1.00	1.00	1.00	1.00
11	1.00	1.00	1.00	1.00
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66	1.00	1.00	1.00	1.00
67	1.00	1.00	1.00	1.00
68	1.00	1.00	1.00	1.00
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70	1.00	1.00	1.00	1.00
71	1.00	1.00	1.00	

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SWITZERLAND (SIS RECOGNISED)

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OTHER OFFSHORE FUNDS

<div><div>ATP Fund Mgrs (Switzerland)</div><table><tr><th>Fund Name</th><th>Assets</th><th>NAV</th><th>YTD</th></tr><tr><td>ATP Fund Mgrs</td><td>1,234,567</td><td>1.23</td><td>12.34</td></tr></table></div>	Fund Name	Assets	NAV	YTD	ATP Fund Mgrs	1,234,567	1.23	12.34	<div><div>Alfred Fund Mgrs (Switzerland)</div><table><tr><th>Fund Name</th><th>Assets</th><th>NAV</th><th>YTD</th></tr><tr><td>Alfred Fund Mgrs</td><td>987,654</td><td>1.18</td><td>11.23</td></tr></table></div>	Fund Name	Assets	NAV	YTD	Alfred Fund Mgrs	987,654	1.18	11.23	<div><div>Adrian Investment</div><table><tr><th>Fund Name</th><th>Assets</th><th>NAV</th><th>YTD</th></tr><tr><td>Adrian Investment</td><td>765,432</td><td>1.15</td><td>10.12</td></tr></table></div>	Fund Name	Assets	NAV	YTD	Adrian Investment	765,432	1.15	10.12	<div><div>Adrian Investment</div><table><tr><th>Fund Name</th><th>Assets</th><th>NAV</th><th>YTD</th></tr><tr><td>Adrian Investment</td><td>543,210</td><td>1.12</td><td>9.01</td></tr></table></div>	Fund Name	Assets	NAV	YTD	Adrian Investment	543,210	1.12	9.01	<div><div>Adrian Investment</div><table><tr><th>Fund Name</th><th>Assets</th><th>NAV</th><th>YTD</th></tr><tr><td>Adrian Investment</td><td>321,098</td><td>1.09</td><td>8.90</td></tr></table></div>	Fund Name	Assets	NAV	YTD	Adrian Investment	321,098	1.09	8.90
Fund Name	Assets	NAV	YTD																																									
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LUXEMBOURG (REGULATED) (\*)

<div><div>Barclays Investment Funds (Luxembourg)</div><table><tr><th>Fund Name</th><th>Assets</th><th>NAV</th><th>YTD</th></tr><tr><td>Barclays Global Fund</td><td>1,234,567</td><td>1.23</td><td>12.34</td></tr><tr><td>Barclays Europe Fund</td><td>987,654</td><td>1.18</td><td>11.23</td></tr><tr><td>Barclays Asia Fund</td><td>765,432</td><td>1.15</td><td>10.12</td></tr><tr><td>Barclays US Fund</td><td>543,210</td><td>1.12</td><td>9.01</td></tr></table></div>	Fund Name	Assets	NAV	YTD	Barclays Global Fund	1,234,567	1.23	12.34	Barclays Europe Fund	987,654	1.18	11.23	Barclays Asia Fund	765,432	1.15	10.12	Barclays US Fund	543,210	1.12	9.01	<div><div>Latin American Securities Ltd (UK)</div><table><tr><th>Security</th><th>Price</th><th>Yield</th></tr><tr><td>Latin American Bond</td><td>105.12</td><td>5.67%</td></tr><tr><td>Latin American Equity</td><td>112.34</td><td>6.89%</td></tr><tr><td>Latin American Dividend</td><td>108.76</td><td>5.43%</td></tr></table></div>	Security	Price	Yield	Latin American Bond	105.12	5.67%	Latin American Equity	112.34	6.89%	Latin American Dividend	108.76	5.43%	<div><div>US Japan Managed Co SA (UK)</div><table><tr><th>Fund Name</th><th>Assets</th><th>NAV</th><th>YTD</th></tr><tr><td>US Japan Managed</td><td>2,345,678</td><td>1.35</td><td>13.45</td></tr><tr><td>US Japan Managed II</td><td>1,876,543</td><td>1.30</td><td>12.56</td></tr><tr><td>US Japan Managed III</td><td>1,456,789</td><td>1.25</td><td>11.67</td></tr></table></div>	Fund Name	Assets	NAV	YTD	US Japan Managed	2,345,678	1.35	13.45	US Japan Managed II	1,876,543	1.30	12.56	US Japan Managed III	1,456,789	1.25	11.67	<div><div>Citizens Investment Trust Mgt Co Ltd</div><table><tr><th>Fund Name</th><th>Assets</th><th>NAV</th><th>YTD</th></tr><tr><td>Citizens Investment</td><td>3,456,789</td><td>1.40</td><td>14.56</td></tr><tr><td>Citizens Investment II</td><td>2,987,654</td><td>1.35</td><td>13.67</td></tr><tr><td>Citizens Investment III</td><td>2,543,210</td><td>1.30</td><td>12.78</td></tr></table></div>	Fund Name	Assets	NAV	YTD	Citizens Investment	3,456,789	1.40	14.56	Citizens Investment II	2,987,654	1.35	13.67	Citizens Investment III	2,543,210	1.30	12.78	<div><div>Industries Asia Invest Services Ltd</div><table><tr><th>Fund Name</th><th>Assets</th><th>NAV</th><th>YTD</th></tr><tr><td>Industries Asia</td><td>4,567,890</td><td>1.45</td><td>15.67</td></tr><tr><td>Industries Asia II</td><td>3,876,543</td><td>1.40</td><td>14.78</td></tr><tr><td>Industries Asia III</td><td>3,210,987</td><td>1.35</td><td>13.89</td></tr></table></div>	Fund Name	Assets	NAV	YTD	Industries Asia	4,567,890	1.45	15.67	Industries Asia II	3,876,543	1.40	14.78	Industries Asia III	3,210,987	1.35	13.89
Fund Name	Assets	NAV	YTD																																																																																	
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CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGE AND MONEY MARKETS

Focus on the franc

IN THE WAKE of the recent turmoil in the exchange rate mechanism, dealers will look for more pressure on the French franc and the Danish krone this week, writes James Prie.

On Friday both currencies were subjected to a new bout of selling against the D-Mark, with the French currency dropping to its lowest London close against the D-Mark. The Danish krone also fell sharply, ending more than 8.5 percentage points lower than the D-Mark in the ERM grid.

UK clearing bank base lending rate 5 per cent from January 28, 1993

Many currency dealers are certain the franc is heading for the FF8.60 level against the D-Mark. The big question is whether it will get there sooner rather than later. Dealers will wait to see what the Bank of France does to interest rate policy in its money market operations today and on Thursday. The country's industrial production

figures for June, due out the same day, could also depress the franc if they are particularly bad.

Dealers will also look closely at France's weekly foreign exchange reserve figures on Thursday to see whether the central bank has restored them since the widening of the ERM's fluctuation bands.

In Germany, the M3 money supply figures for July are due at the end of the week and these will indicate how big a monetary overhang there is after the Bundesbank's intervention in currency markets. Economists at Paribas Capital Markets anticipate a rise to 8.2 per cent from 7.0 per cent in June.

In the UK, attention will focus on prospects for another cut in interest rates. The Retail Prices Index, due on Wednesday, will reveal whether there are further inflationary pressures in the economy. The UK's visible trade figures, due on Friday, will indicate whether exports have been adversely affected by the pound's recent strength.

POUND SPOT - FORWARD AGAINST THE POUND

Ag 13	Day's spread	Oct	One month	Three months	One year
US	1.4500-1.4500	1.4500-1.4500	0.36-0.34pm	0.78	0.88-0.86pm
Canada	1.4500-1.4500	1.4500-1.4500	0.36-0.34pm	0.78	0.88-0.86pm
Switzerland	1.4500-1.4500	1.4500-1.4500	0.36-0.34pm	0.78	0.88-0.86pm
France	1.4500-1.4500	1.4500-1.4500	0.36-0.34pm	0.78	0.88-0.86pm
Italy	1.4500-1.4500	1.4500-1.4500	0.36-0.34pm	0.78	0.88-0.86pm
Spain	1.4500-1.4500	1.4500-1.4500	0.36-0.34pm	0.78	0.88-0.86pm
Portugal	1.4500-1.4500	1.4500-1.4500	0.36-0.34pm	0.78	0.88-0.86pm
Greece	1.4500-1.4500	1.4500-1.4500	0.36-0.34pm	0.78	0.88-0.86pm
Japan	1.4500-1.4500	1.4500-1.4500	0.36-0.34pm	0.78	0.88-0.86pm
South Korea	1.4500-1.4500	1.4500-1.4500	0.36-0.34pm	0.78	0.88-0.86pm
China	1.4500-1.4500	1.4500-1.4500	0.36-0.34pm	0.78	0.88-0.86pm

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

Ag 13	Day's spread	Oct	One month	Three months	One year
UK	1.4500-1.4500	1.4500-1.4500	0.36-0.34pm	0.78	0.88-0.86pm
Canada	1.4500-1.4500	1.4500-1.4500	0.36-0.34pm	0.78	0.88-0.86pm
Switzerland	1.4500-1.4500	1.4500-1.4500	0.36-0.34pm	0.78	0.88-0.86pm
France	1.4500-1.4500	1.4500-1.4500	0.36-0.34pm	0.78	0.88-0.86pm
Italy	1.4500-1.4500	1.4500-1.4500	0.36-0.34pm	0.78	0.88-0.86pm
Spain	1.4500-1.4500	1.4500-1.4500	0.36-0.34pm	0.78	0.88-0.86pm
Portugal	1.4500-1.4500	1.4500-1.4500	0.36-0.34pm	0.78	0.88-0.86pm
Greece	1.4500-1.4500	1.4500-1.4500	0.36-0.34pm	0.78	0.88-0.86pm
Japan	1.4500-1.4500	1.4500-1.4500	0.36-0.34pm	0.78	0.88-0.86pm
South Korea	1.4500-1.4500	1.4500-1.4500	0.36-0.34pm	0.78	0.88-0.86pm
China	1.4500-1.4500	1.4500-1.4500	0.36-0.34pm	0.78	0.88-0.86pm

EXCHANGE CROSS RATES

Ag 13	Day's spread	Oct	One month	Three months	One year
UK	1.4500-1.4500	1.4500-1.4500	0.36-0.34pm	0.78	0.88-0.86pm
Canada	1.4500-1.4500	1.4500-1.4500	0.36-0.34pm	0.78	0.88-0.86pm
Switzerland	1.4500-1.4500	1.4500-1.4500	0.36-0.34pm	0.78	0.88-0.86pm
France	1.4500-1.4500	1.4500-1.4500	0.36-0.34pm	0.78	0.88-0.86pm
Italy	1.4500-1.4500	1.4500-1.4500	0.36-0.34pm	0.78	0.88-0.86pm
Spain	1.4500-1.4500	1.4500-1.4500	0.36-0.34pm	0.78	0.88-0.86pm
Portugal	1.4500-1.4500	1.4500-1.4500	0.36-0.34pm	0.78	0.88-0.86pm
Greece	1.4500-1.4500	1.4500-1.4500	0.36-0.34pm	0.78	0.88-0.86pm
Japan	1.4500-1.4500	1.4500-1.4500	0.36-0.34pm	0.78	0.88-0.86pm
South Korea	1.4500-1.4500	1.4500-1.4500	0.36-0.34pm	0.78	0.88-0.86pm
China	1.4500-1.4500	1.4500-1.4500	0.36-0.34pm	0.78	0.88-0.86pm

EURO-CURRENCY INTEREST RATES

Ag 13	Day's spread	Oct	One month	Three months	One year
UK	1.4500-1.4500	1.4500-1.4500	0.36-0.34pm	0.78	0.88-0.86pm
Canada	1.4500-1.4500	1.4500-1.4500	0.36-0.34pm	0.78	0.88-0.86pm
Switzerland	1.4500-1.4500	1.4500-1.4500	0.36-0.34pm	0.78	0.88-0.86pm
France	1.4500-1.4500	1.4500-1.4500	0.36-0.34pm	0.78	0.88-0.86pm
Italy	1.4500-1.4500	1.4500-1.4500	0.36-0.34pm	0.78	0.88-0.86pm
Spain	1.4500-1.4500	1.4500-1.4500	0.36-0.34pm	0.78	0.88-0.86pm
Portugal	1.4500-1.4500	1.4500-1.4500	0.36-0.34pm	0.78	0.88-0.86pm
Greece	1.4500-1.4500	1.4500-1.4500	0.36-0.34pm	0.78	0.88-0.86pm
Japan	1.4500-1.4500	1.4500-1.4500	0.36-0.34pm	0.78	0.88-0.86pm
South Korea	1.4500-1.4500	1.4500-1.4500	0.36-0.34pm	0.78	0.88-0.86pm
China	1.4500-1.4500	1.4500-1.4500	0.36-0.34pm	0.78	0.88-0.86pm

FT LONDON INTERBANK FIXING

Ag 13	Day's spread	Oct	One month	Three months	One year
UK	1.4500-1.4500	1.4500-1.4500	0.36-0.34pm	0.78	0.88-0.86pm
Canada	1.4500-1.4500	1.4500-1.4500	0.36-0.34pm	0.78	0.88-0.86pm
Switzerland	1.4500-1.4500	1.4500-1.4500	0.36-0.34pm	0.78	0.88-0.86pm
France	1.4500-1.4500	1.4500-1.4500	0.36-0.34pm	0.78	0.88-0.86pm
Italy	1.4500-1.4500	1.4500-1.4500	0.36-0.34pm	0.78	0.88-0.86pm
Spain	1.4500-1.4500	1.4500-1.4500	0.36-0.34pm	0.78	0.88-0.86pm
Portugal	1.4500-1.4500	1.4500-1.4500	0.36-0.34pm	0.78	0.88-0.86pm
Greece	1.4500-1.4500	1.4500-1.4500	0.36-0.34pm	0.78	0.88-0.86pm
Japan	1.4500-1.4500	1.4500-1.4500	0.36-0.34pm	0.78	0.88-0.86pm
South Korea	1.4500-1.4500	1.4500-1.4500	0.36-0.34pm	0.78	0.88-0.86pm
China	1.4500-1.4500	1.4500-1.4500	0.36-0.34pm	0.78	0.88-0.86pm

MONEY RATES

Ag 13	Day's spread	Oct	One month	Three months	One year
UK	1.4500-1.4500	1.4500-1.4500	0.36-0.34pm	0.78	0.88-0.86pm
Canada	1.4500-1.4500	1.4500-1.4500	0.36-0.34pm	0.78	0.88-0.86pm
Switzerland	1.4500-1.4500	1.4500-1.4500	0.36-0.34pm	0.78	0.88-0.86pm
France	1.4500-1.4500	1.4500-1.4500	0.36-0.34pm	0.78	0.88-0.86pm
Italy	1.4500-1.4500	1.4500-1.4500	0.36-0.34pm	0.78	0.88-0.86pm
Spain	1.4500-1.4500	1.4500-1.4500	0.36-0.34pm	0.78	0.88-0.86pm
Portugal	1.4500-1.4500	1.4500-1.4500	0.36-0.34pm	0.78	0.88-0.86pm
Greece	1.4500-1.4500	1.4500-1.4500	0.36-0.34pm	0.78	0.88-0.86pm
Japan	1.4500-1.4500	1.4500-1.4500	0.36-0.34pm	0.78	0.88-0.86pm
South Korea	1.4500-1.4500	1.4500-1.4500	0.36-0.34pm	0.78	0.88-0.86pm
China	1.4500-1.4500	1.4500-1.4500	0.36-0.34pm	0.78	0.88-0.86pm

LONDON MONEY RATES

Ag 13	Day's spread	Oct	One month	Three months	One year
UK	1.4500-1.4500	1.4500-1.4500	0.36-0.34pm	0.78	0.88-0.86pm
Canada	1.4500-1.4500	1.4500-1.4500	0.36-0.34pm	0.78	0.88-0.86pm
Switzerland	1.4500-1.4500	1.4500-1.4500	0.36-0.34pm	0.78	0.88-0.86pm
France	1.4500-1.4500	1.4500-1.4500	0.36-0.34pm	0.78	0.88-0.86pm
Italy	1.4500-1.4500	1.4500-1.4500	0.36-0.34pm	0.78	0.88-0.86pm
Spain	1.4500-1.4500	1.4500-1.4500	0.36-0.34pm	0.78	0.88-0.86pm
Portugal	1.4500-1.4500	1.4500-1.4500	0.36-0.34pm	0.78	0.88-0.86pm
Greece	1.4500-1.4500	1.4500-1.4500	0.36-0.34pm	0.78	0.88-0.86pm
Japan	1.4500-1.4500	1.4500-1.4500	0.36-0.34pm	0.78	0.88-0.86pm
South Korea	1.4500-1.4500	1.4500-1.4500	0.36-0.34pm	0.78	0.88-0.86pm
China	1.4500-1.4500	1.4500-1.4500	0.36-0.34pm	0.78	0.88-0.86pm

FT-ATMOSPHERE WORLD INDICES

Ag 13	Day's spread	Oct	One month	Three months	One year
UK	1.4500-1.4500	1.4500-1.4500	0.36-0.34pm	0.78	0.88-0.86pm
Canada	1.4500-1.4500	1.4500-1.4500	0.36-0.34pm	0.78	0.88-0.86pm
Switzerland	1.4500-1.4500	1.4500-1.4500	0.36-0.34pm	0.78	0.88-0.86pm
France	1.4500-1.4500	1.4500-1.4500	0.36-0.34pm	0.78	0.88-0.86pm
Italy	1.4500-1.4500	1.4500-1.4500	0.36-0.34pm	0.78	0.88-0.86pm
Spain	1.4500-1.4500	1.4500-1.4500	0.36-0.34pm	0.78	0.88-0.86pm
Portugal	1.4500-1.4500	1.4500-1.4500	0.36-0.34pm	0.78	0.88-0.86pm
Greece	1.4500-1.4500	1.4500-1.4500	0.36-0.34pm	0.78	0.88-0.86pm
Japan	1.4500-1.4500	1.4500-1.4500	0.36-0.34pm	0.78	0.88-0.86pm
South Korea	1.4500-1.4500	1.4500-1.4500	0.36-0.34pm	0.78	0.88-0.86pm
China	1.4500-1.4500	1.4500-1.4500	0.36-0.34pm	0.78	0.88-0.86pm

LONDON RECENT ISSUES

Ag 13	Day's spread	Oct	One month	Three months	One year
UK	1.4500-1.4500	1.4500-1.4500	0.36-0.34pm	0.78	0.88-0.86pm
Canada	1.4500-1.4500	1.4500-1.4500	0.36-0.34pm	0.78	0.88-0.86pm
Switzerland	1.4500-1.4500	1.4500-1.4500	0.36-0.34pm	0.78	0.88-0.86pm
France	1.4500-1.4500	1.4500-1.4500	0.36-0.34pm	0.78	0.88-0.86pm
Italy	1.4500-1.4500	1.4500-1.4500	0.36-0.34pm	0.78	0.88-0.86pm
Spain	1.4500-1.4500	1.4500-1.4500	0.36-0.34pm	0.78	0.88-0.86pm
Portugal	1.4500-1.4500	1.4500-1.4500	0.36-0.34pm	0.78	0.88-0.86pm
Greece	1.4500-1.4500	1.4500-1.4500	0.36-0.34pm	0.78	0.88-0.86pm
Japan	1.4500-1.4500	1.4500-1.4500	0.36-0.34pm	0.78	0.88-0.86pm
South Korea	1.4500-1.4500	1.4500-1.4500	0.36-0.34pm	0.78	0.88-0.86pm
China	1.4500-1.4500	1.4500-1.4500	0.36-0.34pm	0.78	0.88-0.86pm

FIXED INTEREST STOCKS

Ag 13	Day's spread	Oct	One month	Three months	One year
UK	1.4500-1.4500	1.4500-1.4500	0.36-0.34pm	0.78	0.88-0.86pm
Canada	1.4500-1.4500	1.4500-1.4500	0.36-0.34pm	0.78	0.88-0.86pm
Switzerland	1.4500-1.4500	1.4500-1.4500	0.36-0.34pm	0.78	0.88-0.86pm
France	1.4500-1.4500	1.4500-1.4500	0.36-0.34pm	0.78	0.88-0.86pm
Italy	1.4500-1.4500	1.4500-1.4500	0.36-0.34pm	0.78	0.88-0.86pm
Spain	1.4500-1.4500	1.4500-1.4500	0.36-0.34pm	0.78	0.88-0.86pm
Portugal	1.4500-1.4500	1.4500-1.4500	0.36-0.34pm	0.78	0.88-0.86pm
Greece	1.4500-1.4500	1.4500-1.4500	0.36-0.34pm	0.78	0.88-0.86pm
Japan	1.4500-1.4500	1.4500-1.4500	0.36-0.34pm	0.78	0.88-0.86pm
South Korea	1.4500-1.4500	1.4500-1.4500	0.36-0.34pm	0.78	0.88-0.86pm
China	1.4500-1.4500	1.4500-1.4500	0.36-0.34pm	0.78	0.88-0.86pm

RIGHTS OFFERS

Ag 13	Day's spread	Oct	One month	Three months	One year
UK	1.4500-1.4500	1.4500-1.4500	0.36-0.34pm	0.78	0.88-0.86pm
Canada	1.4500-1.4500	1.4500-1.4500	0.36-0.34pm	0.78	0.88-0.86pm
Switzerland	1.4500-1.4500	1.4500-1.4500	0.36-0.34pm	0.78	0.88-0.86pm
France	1.4500-1.4500	1.4500-1.4500	0.36-0.34pm	0.78	0.88-0.86pm
Italy	1.4500-1.4500	1.4500-1.4500	0.36-0.34pm	0.78	0.88-0.86pm
Spain	1.4500-1.4500	1.4500-1.4500	0.36-0.34pm	0.78	0.88-0.86pm
Portugal	1.4500-1.4500	1.4500-1.4500	0.36-0.34pm	0.78	0.88-0.86pm
Greece	1.4500-1.4500	1.4500-1.4500	0.36-0.34pm	0.78	0.88-0.86pm
Japan	1.4500-1.4500	1.4500-1.4500	0.36-0.34pm	0.78	0.88-0.86pm
South Korea	1.4500-1.4500	1.4500-1.4500	0.36-0.34pm	0.78	0.88-0.86pm
China	1.4500-1.4500	1.4500-1.4500	0.36-0.34pm	0.78	0.88-0.86pm

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**MINER Cost**[illegible][illegible][illegible]

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and by the four-digit code listed  
is charged at 36¢ per minute  
minutes at 63¢ other times.  
available for callers outside the  
2250 stg.  
71 873 4378, international) for  
Cityline.



4 pm close August 13

## NEW YORK STOCK EXCHANGE COMPOSITE PRICES

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**NASDAQ NATIONAL MARKET**

4 pm close August 13

High	Low	Line	Class
6 1/4	65 1/4	6 1/4	-1/4
8 1/4	8 1/2	8 1/4	-1/4
10 1/2	18	10	-1/2
4 1/4	4		
33	32 1/2	32 1/2	-1/4
5	4 1/4	5	+1/4
14	14	14	-1/4
20	22	22 1/2	+1/2
40 1/4	38	38 3/4	-1/4
25 1/2	25	25	
10 1/2	17 1/4	18 1/4	+1/2
8 1/4	8 1/4	8 1/4	-1/4
18	18	18	-1/4
31 1/4	30 1/4	30 1/4	-1/4
11 1/2	11 1/4	11 1/4	-1/4
10 1/4	10 1/4	10 1/4	-1/4
67 1/4	69		
=			
27 1/4	26 1/4	26 1/4	-1/4
1 1/4	1 1/4	1 1/4	-1/4
8 1/4	8 1/2	8 1/2	-1/4
10 1/4	10	10 1/4	-1/4
21 1/2	21 1/2	21 1/2	+1
11 1/2	11 1/2	11 1/2	-1/4
2 1/2	2 1/4	2 1/4	-1/4
7	6 3/4	6 3/4	-1/4
3 1/4	3 1/4	3 1/4	-1/4
11 1/4	10 1/4	11 1/4	-1/4
6 1/4	6 1/2	6 1/2	-1/4
4 1/4	4	4 1/4	-1/4
7 1/4	7	7 1/4	-1/4
5 1/4	5 1/4	5 1/4	-1/4
2 1/2	2 1/2	2 1/2	-1/4
4 1/4	4 1/4	4 1/4	-1/4
4 1/4	4 1/4	4 1/4	-1/4
13 1/4	13 1/4	13 1/4	-1/4
11 1/4	11 1/4	11 1/4	-1/4
18	18	18	-1/4
8 1/2	8 1/2	8 1/2	-1/4
10 1/4	10 1/4	10 1/4	-1/4
7 1/4	7 1/4	7 1/4	-1/4
4 1/4	4 1/4	4 1/4	-1/4
17 1/4	17 1/4	17 1/4	-1/4
32	32	32	-1/4
18 1/4	18 1/4	18 1/4	-1/4
10 1/4	10 1/4	10 1/4	-1/4
12	12	12	-1/4
23 1/2	23 1/2	23 1/2	-1/4
15 1/4	15 1/4	15 1/4	-1/4
11 1/4	11 1/4	11 1/4	-1/4
5 1/4	5 1/4	5 1/4	-1/4
12 1/4	12 1/4	12 1/4	-1/4
20 1/4	20 1/4	20 1/4	-1/4
10 1/4	10 1/4	10 1/4	-1/4
19	19	19	-1/4
15 1/4	15 1/4	15 1/4	-1/4
1 1/2	1 1/2	1 1/2	-1/4
2 1/4	2 1/4	2 1/4	-1/4
4 1/4	4 1/4	4 1/4	-1/4
3 1/4	3 1/4	3 1/4	-1/4
8 1/4	8 1/4	8 1/4	-1/4
13	13	13	-1/4
17 1/4	17 1/4	17 1/4	-1/4
15 1/4	15 1/4	15 1/4	-1/4

1	6	4	+1
2	13	13	+1
3	20	20	-2
4	27	27	
5	34	34	
6	41	41	
7	48	48	
8	55	55	
9	62	62	
10	69	69	
11	76	76	
12	83	83	
13	90	90	
14	97	97	
15	104	104	
16	111	111	
17	118	118	
18	125	125	
19	132	132	
20	139	139	
21	146	146	
22	153	153	
23	160	160	
24	167	167	
25	174	174	
26	181	181	
27	188	188	
28	195	195	
29	202	202	
30	209	209	
31	216	216	
32	223	223	
33	230	230	
34	237	237	
35	244	244	
36	251	251	
37	258	258	
38	265	265	
39	272	272	
40	279	279	
41	286	286	
42	293	293	
43	300	300	
44	307	307	
45	314	314	
46	321	321	
47	328	328	
48	335	335	
49	342	342	
50	349	349	
51	356	356	
52	363	363	
53	370	370	
54	377	377	
55	384	384	
56	391	391	
57	398	398	
58	405	405	
59	412	412	
60	419	419	
61	426	426	
62	433	433	
63	440	440	
64	447	447	
65	454	454	
66	461	461	
67	468	468	
68	475	475	
69	482	482	
70	489	489	
71	496	496	
72	503	503	
73	510	510	
74	517	517	
75	524	524	
76	531	531	
77	538	538	
78	545	545	
79	552	552	
80	559	559	
81	566	566	
82	573	573	
83	580	580	
84	587	587	
85	594	594	
86	601	601	
87	608	608	
88	615	615	
89	622	622	
90	629	629	
91	636	636	
92	643	643	
93	650	650	
94	657	657	
95	664	664	
96	671	671	
97	678	678	
98	685	685	
99	692	692	
100	699	699	


GTI Corp	25	267	31 1/4	30 3/4	31 1/4	+1/2	Nat Pizza	17	81	6 1/2	8 1/2	8 3/4	+1/8
GarHY Svc	59	221	5 1/2	5 1/4	5 3/8	+1/8	NatGarmen	0.70	21	56	53	52 1/4	53
							Nat Compt	0.36	18	1418	17 1/4	16 3/4	16 1/2

8 <sup>1</sup> <sub>8</sub>	8	8 <sup>1</sup> <sub>8</sub>	+1 <sub>8</sub>
2 <sup>5</sup> <sub>8</sub>	21 <sub>8</sub>	22 <sup>1</sup> <sub>8</sub>	-1 <sub>8</sub>
3 <sup>1</sup> <sub>2</sub>	38	38 <sup>1</sup> <sub>4</sub>	+1 <sub>4</sub>
2 <sup>5</sup> <sub>8</sub>	21 <sub>8</sub>	22 <sup>1</sup> <sub>8</sub>	-1 <sub>8</sub>

65	67	-3
65	67	-3
14	14	-3
84	84	-3
14	14	-3
14	14	-3
84	84	-3
34	34	-3
12	12	-3
40	40	-3
14	14	-3
20	20	-3
43	44	-1
0	1	-1
18	19	-1
14	14	-1
12	12	-1
12	12	-1
25	25	-1
5	5	-1
8	8	-1
10	10	-1
94	95	-1
5	5	-1
60	60	-1
13	14	-1
20	20	-1
2	2	-1
13	13	-1
18	19	-1
21	22	-1
13	13	-1
55	56	-1

[illegible]





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